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Dear Reader,

This issue of the Penn State Journal of International Affairs will be our last as Executive Editors. Putting this publication together has added tremendous depth to our academic experience, allowing us to use knowledge gained in the classroom to highlight deserving articles and authors across the country. Our spring issue features the first published submission from a Penn State student, Robert Wiczorek, of which we are quite proud. Our review process is blind, so learning that his submission made the cut is a credit to both his abilities and the Penn State Department of Political Science.

As we prepare to graduate, we know the Journal is in good hands. Patrick Boynton and Peter Gorman will take the reins as Executive Editors with more experience than we had when we first stepped into the same shoes. The two issues we've published to date have been invaluable learning experiences for all involved. Joining Patrick and Peter, we welcome new Associate Editors Dave Cole, Brian Gardner, Casey Hilland, Ben Rogers, Harrison Rogers, Michelle Sarver, Brian Shiue, and Suzanne Zakaria. As you will learn in this issue, making the transition from the first group of leaders to the second, both within a student organization and in a democracy, can be incredibly challenging. We are confident that the semesters ahead will find the Journal "consolidated" in the Penn State community.

This issue would not have been possible without our faculty reviewers: Dr. Clemente Abrokwa, Dr. Gretchen Casper, Dr. Paul Gill, Dr. Douglas Lemke, Dr. Glenn Palmer, and Dr. James Piazza. We would also like to thank our faculty advisor, Dr. Subhanan Mukherjee. The Journal would not have been published without the generous financial support of Mr. John Hodgson and the Strategic and Global Security Scholars Program; Dr. Jack Selzer and the Paterno Fellows Program; and Dr. Michael Berkman and the Penn State Department of Political Science. We are grateful for their belief in us, and for their support of undergraduate research at Penn State.

Finally, we would like to sincerely thank the authors featured in this issue of the Journal. We enjoyed working to bring them to publication, and we hope you enjoy reading them.

Sincerely,

Eli Glazier, Ethan Hirsch, Evan Kalikow, & Arianna Simpson
Pennsylvania State University Class of 2012

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The Future of Terrorist Financing: Fighting Terrorist Financing in the Digital Age

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Abstract

The principal concerns of anti-terrorist financing (ATF) reforms thus far have been the seizure of al-Qaeda's assets, increased regulation of financial institutions and the use of blacklists and sanctions against non-compliant states, terrorist groups and supporting financial entities. With the success of post-9/11 ATF reforms, al-Qaeda has increasingly moved away from traditional financial institutions to alternative financial networks. This includes the expanded use of digital networks as a source and means of circulating terrorist funds. Troublingly, online transfers, mobile banking and digital currencies et cetera challenge many post 9/11 ATF reforms. Simply put, the digital arena is not subject to the effective regulation of established financial institutions. Digital transactions and transfers are poorly regulated, highly anonymous and difficult to trace, making them resistant to seizure, sanctions and surveillance.

The central question is whether post-9/11 reforms are adequate to protect the United States from evolving digital means of terrorist financing, and how these reforms have been challenged. This paper will evaluate the challenges that digital transfers and transactions pose to post-9/11 anti-terrorist financing efforts and to discuss the need for initiatives targeting the digital networks that can be exploited by terrorist financing. Particular attention will be paid to the dangers posed by digital currencies such as BitCoin, the Younis Tsouli and Babar Ahmad cases of digital terrorist funding, and the global proliferation of mobile banking services. Finally, recommendations will be made to address the weaknesses in post-9/11 ATF reforms through expansion of legal instruments, international cooperation and technological innovation.

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Introduction

“Money is the oxygen of terrorism”.

Former United States Secretary of State, Colin Powell

TERROR ISN'T CHEAP. On the face of it, the numbers say otherwise. The most ambitious of terror attacks, those of September 11, 2001, were estimated to only cost about 500,000 dollars. The 2002 Bali bombings cost a tenth of that, and the suicide attacks USS Cole bombings in October 2000, which killed 17 and injured 39, cost a mere 10,000 dollars (Prober 2005, 1). However, numbers notwithstanding, the idea of cheap terrorism is specious.

Actual execution of a terrorist attack is only the tip of the iceberg, with estimates of cost mostly focusing on admittedly cheap materiel. As such, gauging the costs of terrorism through terrorist attacks severely undervalues the underlying “substantial structural costs of maintaining [a terrorist] organization” (Miguel del Cid Gomez 2010, 2). Terrorist attacks are simply the overt physical product of an extensive, covert terrorist organizational infrastructure. Terrorism requires substantial funds for planning terrorist attacks, training and recruiting operatives, disseminating propaganda, providing transportation, preserving channels of communication, supporting satellite organizations and subsidizing living costs of terrorist operatives. In the case of al-Qaeda, these operations necessitated funds of roughly 30 million US dollars annually (Greenberg, Roth, and Wille). Further substantiating the financial scale of terrorism, economist Loretta Napoleoni estimates that “economic activity related to terrorism accounts for a staggering \$1.5 trillion, or 5 percent of annual global output” (Cowell 2003). It has been estimated that of al-Qaeda’s income, “about 10% [is spent] on operational costs. The other 90% goes on the cost of administering and maintaining the organization” (Biersteker and Eckert 2008, 8).

In short, significant funds and the maintenance of a sound financial infrastructure are of vital importance in preserving a robust and effective terrorist organization. Accordingly, the effort to detect and disrupt terrorist financing is a critical campaign in the War on Terror. In recognition of this fact, a number of post-9/11 reforms were enacted to attack the terrorist financial infrastructure, using methods of bank regulation, asset seizure, sanctions and surveillance to this end. By several accounts, anti-terrorist financing (ATF) reforms have been effective. The 9/11 Commission “report card” issued ATF efforts an A-minus grade, and the Treasury claims to have effectively frozen 140 million dollars in assets post-9/11 (Kaplan 2006).

However, the successes of the War on Terror and ATF reforms have had an unintended consequence – the mutation of the organizational structure of terrorist organizations (Biersteker and Eckert 2008, 59). Al-Qaeda for one has proven to be extremely plastic in adapting to current efforts; with the fortification of formal

banking institutions, the decimation of their foregoing leadership, and the destruction of physical operational bases, al-Qaeda has become disaggregated, decentralized and deterritorialized. This, in conjunction with rapid global dissemination of technology and global access to digital networks, has allowed “terrorist groups to almost seamlessly transition from the battlefields of the Middle East and Northern Africa to the virtual [environment] of the Internet” (Landman 2009, 8). Such a fact poses a grave challenge to post-9/11 ATF reforms. Digital transactions and transfers prove highly resistant to traditional counter-money laundering (CML) tactics of seizure, sanctions, surveillance and regulation. The central question addressed herein is whether post-9/11 reforms are adequate to protect the US from evolving digital means of terrorist financing, and how these reforms have been challenged.

This paper thus analyzes the various threats posed by digital networks in facilitating terrorist financing, assesses the resulting vulnerability and limitations of current post-9/11 ATF reforms and proposes further reforms to mitigate the digital threat. First, the background of terrorist financing, prior to and immediately following 9/11 will be described, as will its role in shaping post-9/11 ATF responses. Second, the role of the War on Terror, and post-9/11 ATF reforms currently in effect in decentralizing terrorist financial and organizational structures will be explored. Then the convergence of digital networks and terrorist financing will be analyzed wherein specifically, two broad areas are identified: Internet use and mobile banking. The respective challenges both pose to current reforms will be addressed, and proposals for further reforms to address said challenges raised. Finally, possible challenges to the reforms proposed will be anticipated and explored, and concluding remarks given.

The Anatomy of Terrorist Financing

How does terrorist financing work? The anatomy of the terrorist financial infrastructure can be divided into two basic parts: the sources of terrorist funds and the mechanisms by which these funds are circulated and transferred. The main sources of terrorist funds, centrally that of al-Qaeda, are as follows:

(1) Charities – The bulk of al-Qaeda’s wealth stems from its “continuous fund raising efforts” and vast charity network (Greenberg, Wechsler and Wolosky 2002, 1). Charities are both highly attractive and highly susceptible to terrorist exploitation. For one, the sheer number of charities in the Islamic world, tens of thousands, prohibits effective surveillance and regulation. Second, the veil of legitimacy conferred by the charitable façade allows terrorists to solicit funds from unsuspecting donors (Levitt and Jacobson 2008, 10). Third, the Islamic tradition of zakat – the donation of 2.5 percent of one’s yearly income to mosques and charities– ensures a steady influx of funds. With no official law requiring records of zakat, which usually takes the form of cash donation, corrupt officials and radical clerics may easily turn it to terrorist ends (Rudner 2006, 44). Finally, the presence of charities in high-risk

conflict zones deters law enforcement and allows terrorists to easily transfer arms and personnel into these areas (Levitt and Jacobson 2008, 10).

(2) Crime – Terrorists profit extensively from a diffuse array of criminal activities. The DEA definitively links “19 of the 43 designated foreign terrorist organizations, to the global drug trade.” With a 300 billion dollar global drug market, and suspected al-Qaeda investment in heroin production and trafficking via the Golden Crescent, crime is a deep financial well from which terrorism can draw (Levitt and Jacobson 2008, 9-10). Terrorists have also profited from credit card fraud, theft, smuggling and kidnapping (Bruno 2010).

(3) Legitimate businesses/wealthy financiers – Terrorists operate a network of legitimate businesses. From al-Qaeda owned honey shops in Yemen, to the allegedly vast Bin Laden business empire, legitimate business provide terrorists with a convincing cover and salary, generate revenue, and may be used to conceal the transportation of terrorist materiel, alongside legitimate goods (Kaplan 2006).

(4) State sponsorship – Though few terrorist organizations enjoy state sponsorship in the traditional sense, the importance of implicit, and occasionally explicit, state support cannot be discounted. Extensive Iranian sponsorship of Hamas and Hezbollah is well documented (Levitt and Jacobson 2008, 13). Even states providing physical safe havens, such as Sudan, Lebanon and Pakistan, provide access to lucrative and ill-regulated financial environments in which terrorist activity can proceed unchecked (Martin 2006, 38).

Further complicating the task of detecting and disrupting terrorist financing, are the means by which al-Qaeda circulates funds. The three main means of circulation are

- (1) legitimate financial institutions,
- (2) Hawala and other informal value transfer systems (IVTS's) and
- (3) physical movement through cash smuggling and couriers.

The latter two both obfuscate the source of terrorist funds and bypass formal regulatory procedures. In summary, the infrastructure of terrorist financing has been and still continues to be global in scope, vast in scale, diverse in sources, and exploitative of vulnerable financial environments.

The post-9/11 ATF response to terrorist financing, however, was not privileged to the structural and financial workings outlined above. Rather, the lens through which terrorist financing was initially viewed was 9/11, which has effectively shaped the entirety of ATF reforms (Kaplan 2007). Second, 9/11, though an isolated incident, gave significant, though limited, insight into certain financial and organizational workings of al-Qaeda at the time: its core organizational structure was localized to Afghanistan; charities and wealthy financiers formed the backbone of al-Qaeda's wealth; and al-Qaeda's assets had extensively penetrated formal, legitimate financial

institutions. In the case of 9/11, roughly 300,000 dollars of al-Qaeda's 500,000 dollar budget had entered and circulated within the formal US financial system. The 9/11 terrorists used entirely mundane methods of asset transfer and circulation including wire transfers, cash and travelers checks and withdrawal using credit and debit cards (Greenberg, Roth and Wille, 3, 13).

Accordingly, the US ATF reforms took, broadly speaking, three main approaches: seizure, sanctions and surveillance. These approaches were largely consonant with the facts known above; they attempted to redress the regulatory failings of financial institutions, freeze known terrorist assets and attack charities and individuals suspected of financing terrorism. Critical reforms included the Executive order 13224 and IEEPA Emergency Powers Act, which both authorized the president to freeze funds, consonant with national security. The extensive use of Office of Foreign Assets Control (OFAC) sanctions against “specially designated nationals,” including charities and nonstate actors, provided the US with a broad charter to cut off diverse sources of terrorist funds (Greenburg, Roth and Wille, 8, 37). Moreover, increased use of US-backed blacklists leveraged pressure on noncompliant states and entities to emulate US financial reforms that fortified formal financial institutions, targeting fragile global banking practices – as indicated in the case of the American wing of the Arab Bank, which was charged with a 24 million dollar civil fine for failing to implement adequate regulatory mechanisms (Catan 2010).

In regards to banking reform, the United States has prosecuted the War on Terrorist Financing most aggressively, by instituting formal procedures for the surveillance, regulation and documentation of financial transactions. From Know Your Customer policies, to Article III of the USA PATRIOT Act of 2001— which includes “special measures” to strengthen the Bank Secrecy Act (BSA) — formal banking institutions have become the focal point of ATF efforts. The use of the BSA, originally an article of counter-money laundering (CML) legislation, was replicated in the adaptation of multiple CML legislative articles for purposes of ATF (Weiss 2005). Finally, in 2006, the US executed the Terrorist Finance Tracking Program. This included US clandestine surveillance of global financial institutions in the Society for Worldwide Interbank Financial Services (SWIFT) database, which resulted in the apprehension of Riduan Isamuddin, mastermind of the 2002 Bali bombings (Litchblau and Risen 2006). In short, the US used legislative, regulatory and executive reforms, as well as enterprising use of technology to prosecute the War on Terrorist Financing, particularly in the formal financial sector.

At face value, the statistical toll US ATF reforms have taken on terrorist financing is impressive. In both the strengthening of the BSA and adaptation of CML legislation, control and regulatory mechanisms crucial to identifying terrorist funds have been implemented. The National Commission on Terrorist Attacks Upon the United States asserts that “worldwide, more than \$136 million, including \$36 million in the

United States, has been frozen” (Greenburg, Roth and Wille, 45). OFAC sanctions have also had a telling effect. As of 2008, the US Treasury reports the blacklisting of 472 individuals and 44 businesses. Former US Director of National Intelligence, Admiral Michael McConnell claimed that post-9/11, “al-Qaeda has had difficulty in raising funds and sustaining themselves” (Jacobson and Levitt 2008, 40). It seems that current US ATF reforms have managed to both identify and neutralize terrorist capital within its borders, as well as significantly weaken al-Qaeda through disrupting its financial structure. The US Treasury Department asserts that al-Qaeda is in its worst financial position thus far (Miguel del Cid Gomez 2010, 4). Nevertheless, as satisfying as the triumph may seem over terrorist financing, it is both limited, and more disquietingly, fleeting.

While US ATF efforts have admittedly been effective in policing the licit economy and formal financial sector, and even compelling international compliance with US standards, this is quite possibly a Pyrrhic victory. If one considers the facts, one estimate places 140 million dollars of assets frozen as roughly 10 percent of al-Qaeda’s proceeds (Acharya 2009). If we assume that US formal banking regulations have identified a large portion of al-Qaeda’s assets circulating within banks, this indicates two things. First, that al-Qaeda’s assets, while damaged, are still considerable. Though secondly, this indicates that al-Qaeda has shifted towards using the means and mechanisms of the terrorist financial infrastructure that exist beyond the licit channels. US anti-terrorist financing efforts, while “closing channels to the legitimate international economy...only open up new ones to the illegal one” (Napoleoni 2005, 208). The gravity of this shift in al-Qaeda’s financial infrastructure cannot be underestimated. In fact of the matter, it indicates a larger, and extremely exigent threat: the evolution of al-Qaeda’s organizational structure.

The War on Terror and Decentralization of al-Qaeda’s Financial Structure

In terms of both organizational and financial structure, al-Qaeda has mutated in three main fashions:

(1) First, it has become massively decentralized, having suffered the destruction of its hierarchical structure, as well as its capacity to control financial operations. The War on Terror has inflicted massive casualties on al-Qaeda’s organizational structure. In one respect, terrorists have been severely deprived of territorial sanctuary. Military action has largely neutralized Afghanistan as al-Qaeda’s operational base. Moreover, core al-Qaeda leadership has been decimated. With over 80 percent of its operational membership having been killed or captured, al-Qaeda has abandoned almost entirely a commander-cadre structure (Biersteker and Eckert 2008, 55). Deprived of physical havens, especially in Afghanistan, al-Qaeda can no longer operate its training camps, political partnerships and local funding networks with ease. This, in conjunction with the physical destruction of its hierarchical structure, has inhibited al-Qaeda’s “central’s oversight of affiliated networks such as al-Qaeda

in Iraq, al-Qaeda in the Islamic Maghreb, and al-Qaeda in the Arabian Peninsula.” Financially, this has had impact. Once, al-Qaeda “directly funded and controlled operations from its base in Afghanistan” (Bruno 2010). Now, central command no longer funds terrorist operations as it did previously.

(2) Second, as a result of this physical dismantling of central command structure, al-Qaeda has disaggregated and has adopted a “cellular” structure spanning the globe. Both its inner circle and vertical chain of command have been destroyed, correspondingly reducing its ability to exercise control over satellite groups. Despite these losses, al-Qaeda is not dead – quite the reverse. According to Head of the International Centre for Political Violence and Terrorism Research, Rohan Gunaratna, terrorism has entered a new chapter in its lifecycle: that of global jihad (Bruno 2010, 47). Many cells, such as those responsible for the Madrid bombings, though ideologically affiliated with al-Qaeda, are operationally discrete. The al-Qaeda of 2001 has fragmented into a diffuse jihadist movement.

(3) Thus, finally, and most disquietingly, we arrive at the de-territorialization of terror. The necessity of maintaining global jihad in the absence of physical refuge has caused terrorism not only to metastasize, but also, to become virtualized.

The former two mutations, as well as US ATF reforms, have correspondingly altered the terrorist financial infrastructure. Critically, there has been a move by terrorists away from the use of formal banking institutions and towards nontraditional, illicit methods of obtaining and circulating finances. Terrorist groups have become increasingly fissile, self-sustaining and criminally adept. In contrast to the direct funding approach that financed the 1989 and 2011 al-Qaeda attacks, the 2005 London bus bombings were entirely self-financed through criminal activity (Jacobson and Levitt 2008, 13). Matthew Jacobson reports that since the crackdown on banks, there has been “a shift away from banks to terrorists using cash, to terrorists using cash couriers, to terrorists using Hawala” an informal remittance system common in the Middle East where funds are provided to an operator in one country, and disbursed by another abroad, “. . .and other informal financial-transfer mechanisms” (2008). The increasing use of the unregulated sector of the economy helps explain the steep decline in the seizure of al-Qaeda’s assets, the bulk of which “took place in the first two years after 9/11” (Solomon 2007). In Yemen and Somalia, terrorists have turned to “petty theft, credit card fraud, and narcotrafficking” to generate and circulate cash (Bruno 2010). More ambitious efforts, such as the suggested al-Qaeda attempt to “transfer its traceable assets into non-traceable conflict diamonds from Charles Taylor’s Liberia to the polished diamond market in Antwerp,” further corroborate this trend (Solomon, 2007).

More and more, terrorists are frustrating US ATF reforms with the simplest tactic: avoiding banks. US ATF reforms, combined with lack of core al-Qaeda support and the disruption physical sanctuary in which charity diversions can be

conducted with impunity, obliges terror groups to avoid banks and use crime in order to assume financial autonomy.

The two phenomena, the physical devolution of terror, and the shift to illicit methods of financing, pose a critical threat when one considers how the two function in conjunction with the global dispersion of modern technology. As digital technology penetrates thinly policed corners of the globe, digital methods of terrorist financing promise to make current US ATF reforms obsolete.

The Convergence of Digital Networks and Terrorist Financing

In a 2005 letter to late Iraqi al-Qaeda leader Abu Musab al-Zarqawi, Ayman al-Zawahiri wrote, “We are in a battle, and more than half of this battle is taking place in the battlefield of the media” (Theohary and Rollins 2011, 3). Zawahiri is correct: the Internet has become a critical asset to terrorists in training, recruitment, dissemination of propaganda and creating channels of communication. Stephen Landman cites a study that claims that “by 2000, virtually all terrorist groups had established their presence on the Internet” (Landman 2009, 11). Internet chat rooms have become breeding grounds for radicalization and the exportation of jihadist ideology. In the virtual marketplace of ideas, the influence of al-Qaeda extends far beyond its original physical reach. The global proliferation of Internet access has been extensively used as a conduit to bypass international boundaries. This has ominous consequences for the War on Terrorist Financing.

If the theater of the War on Terror has shifted significantly onto “the battlefield of the media,” the same ought to be expected of the War on Terrorist Financing. In the same way that the Internet has allowed information to move across boundaries, digital technology has transformed the way money moves across borders (Solomon, 2007). As a 2006 National Intelligence Estimate warned, “groups of all stripes will increasingly use the Internet to obtain logistical and financial support” (Jacobson 2010, 355). With terrorists possessing growing Internet access and aptitude, compounded with the constant exigency of raising and circulating funds, the integration of digital networks and terrorist financial infrastructure must be recognized as a leading threat to the War on Terrorist Financing.

As scholar Michael Judy notes, for terrorists the digital arena can easily be thought of as the virtual parallel to physical safe havens. Judy defines these “virtual havens” as “those non-physical areas which constitute a threat to the U.S. national security interests whereby terrorists are able to organize, plan, raise funds, communicate, recruit, train and operate in relative security ... through physically diffuse networks consisting of local and wide area computer networks, mobile phone systems, media communications outlets, informal transaction and banking, and various forms of information dissemination” (Judy 2011, 35-6). This characterization indicates that, by virtue of its extensive global diffusion and lack of central oversight, the Internet is

the structural analogue and natural ally of terrorist financial networks. The proceeding discussion of the possible convergence of digital networks and terrorist finance divides the digital threat furthermore into two main categories: exploitation of the Internet and mobile banking. The particular challenges each poses to current ATF reforms will be discussed, and finally a final assessment of US ATF capabilities, in view of the digital TF threat, will be given.

The Convergence of Digital Networks and Terrorist Financing: the Internet

Exploitation of the most obvious digital avenue for terrorist funds – direct solicitation through websites – had already begun pre-9/11. In 1997, Babar Ahmad, a British terrorist ran the website Azzam.com, with the explicit purpose of financing terror. Babar, seeking support for the Chechen Mujahidin and Afghan Taliban, claimed that the “first and most important thing that Muslims can do in the West is to donate money and to raise it amongst their families, friends and others [F]or someone who is not able to fight at this moment in time due to a valid excuse they can start by the collection and donation of funds” (Jacobson 2009, 18).

Though Babar’s use of the Internet in 1997 was both crude and unconcealed, it remains an effective TF strategy. For one, no reforms were passed following the discovery of Ahmad’s websites, leaving channels of direct Internet solicitation open to exploitation. Indeed, charities, which have played a crucial role in funding terror, have employed the Internet to this end using this very same method. The Global Relief Foundation and Al-Haramain Islamic Foundation, both of which have been blacklisted by the US, operated websites that actively solicited donations, with donors able to pay through credit and debit card, and wire transfers, among other means (Jacobson 2010, 356). The hazard this poses to US ATF efforts is better illustrated by the case of the Internet presence of the Union of Good, hosted by UK-based organization, Interpal. Despite both being blacklisted by the US, the UK has not designated the two as terrorist threats. Thus, both currently operate. With the Internet placing terrorist assets outside US jurisdiction, US blacklists no longer have teeth. Furthermore, just as physical charities can be shut down and then later reopened, their websites can be hosted and operated from an infinite number of locations, and by any number of people (Jacobson 2009, 18).

Nevertheless, websites soliciting direct payment have two exploitable weaknesses, although the increasing use of crime to self-fund terror cells lends itself to evading detection by such means. Namely, both IP addresses and the use of credit or debit cards can provide substantial ownership information. Credit card fraud and identity theft have often been used to escape detection through such means. In the case of Younis Tsouli, for example, stolen credit card numbers were acquired through the Web, the money from which was then laundered through upwards of forty gambling websites (Jacobson 2009, 355). At the time of his arrest, Tsouli, with his partner, Tariq al-Daour, made more than 3.5 million dollars in charges. It is Tsouli’s motive

as much as his method that is of interest; he needed to purchase larger bandwidth for the maintenance and construction of websites disseminating al-Qaeda in Iraq (AQI) propaganda. This indicates the Internet is beginning to serve as an instrument of terrorist funding as well as recruitment, training and communication.

Moreover, the Tsouli case is emblematic of how the current “cellular” model of global jihad complicates the War on Terrorist Financing. Tsouli maintained ideological rather than economic connections to core al-Qaeda, necessitating the use of crime. The growth of criminal funding among terrorists is compounded by increasing Internet aptitude, which logically lends itself to criminal use. The absence of Internet regulatory mechanisms makes for easy execution of credit card fraud and money laundering. As evidenced in the fact that Tsouli never met his co-conspirator, al-Daour, in person, it is furthermore important to note that global jihad increasingly substitutes the Internet for face-to-face contact. The anonymity afforded by use of digital networks is anathema to current ATF reforms. Fortification of the formal financial sector has, in large part required the implementation of Know-Your-Customer policies, as well as required offshore institutions to keep detailed financial records of account ownership. However, with the Internet removing face-to-face interaction, or the need for identity verification, these policies, while effective in formal institutions, have no teeth in the digital arena.

The proliferation of “virtual worlds” on the Internet illustrates the ease with which terrorists might exploit the absence of face-to-face interaction. According to Steven Landman (2009), virtual worlds are “computer based simulated environments where millions of users can interact with each other on a daily basis” (17). Usually in the form of popular games, such as World of Warcraft, Farmville and Second Life, these virtual worlds are completely anonymous, requiring usually only an email address to access. Disquietingly, virtual worlds also possess robust virtual economies in which virtual currencies can be used to purchase in-game, and real world items.

The vulnerability of such a system is glaring and dangerous. Through use of credit, debit, or prepaid cards—which as the Tsouli case demonstrated, are easily obtainable through crime—users may purchase virtual currency, and exchange this currency with other users. This currency can be then converted back to real capital. With no oversight, no regulation, no limits to the amounts transferred or converted, and no documentation of the transaction and completely opaque ownership structures, assembling critical information concerning the sender, recipient and amount of funds is as difficult as money laundering is easy. Further, as in the case of the Union of Good website, the international nature of these networks call into question the extent of US legal jurisdiction, and whether counter-money laundering or ATF measures can be implemented (Jacobson 2010, 356).

Finally, the expansion of virtual currencies outside virtual worlds further opens up avenues for terrorist exploitation through digital crime. Currencies such as

Bitcoin and eGold are used solely for financial transactions. A DEA report puts it bluntly, “Digital currencies provide an ideal money laundering instrument because they facilitate international payments without the transmittal services of traditional financial institutions” (Department of Justice 2008). The same issues accompanying virtual currency use inside virtual worlds arise in transaction-oriented digital currency programs. They are unregulated and undocumented, and allow unlimited sums to be exchanged. Uncertainty about the reach of US legal jurisdiction allows these programs to claim exemption from US regulation and oversight. The international nature of digital currencies highlights another possible threat. Digital currencies “[enable] standardized international financial transactions” which, combined with speed and anonymity, is attractive for money launderers. Considering the fact that terrorism is increasingly funded by the proceeds of crime, virtual currencies are ripe for terrorist exploitation. Additionally, anonymity is a central attraction of digital currency networks. Digital currency accounts “can...be funded with varying degrees of anonymity by mail and over the Internet, using electronic money orders (EMOs), checks, and online banking transfers” (Department of Justice 2008).

The Convergence of Digital Networks and Terrorist Financing: Mobile Banking

Exacerbating the digital TF threat posed by the Internet is the rapid global proliferation of mobile banking technology. Similar to digital financial networks on the Internet, mobile banking, or m-banking is largely lacking regulatory mechanisms. However, the danger unique to m-banking is its escalating popularity in the global South. Unlike many of the e-payment systems discussed previously, m-banking is perceived to be “a much more significant driver of development and economic growth in the developing world” With companies such as Kenya-based Safaricom and Vodafone, as well as the GSM Association (GSMA)—an organization “representing over 700 GSM mobile phone operators across 218 countries of the world”—expecting to extend m-banking services to hundreds of millions of users in the Global South in the near future, the mobile remittance market may approach 1 trillion dollars within the span of years m-banking, as it currently functions within the global South, is hugely problematic for the War on Terrorist Financing. Critically, the diffusion of m-banking across the fragile states and the global South allows for small and diffuse cross-border transactions to be conducted in areas “where terrorist and extremist activities are significant” (Solomon 2007). M-banking, as will be explored below, exacerbates the vulnerability of said areas to terrorist exploitation and criminal activity.

First, M-PESA, Vodafone’s m-banking service, “allows its users to load money on their mobile devices by making deposits with M-Pesa agents residing in rural and remote areas with limited or no banking facilities” (Villasenor and Monk 2011, 11). The use of local agents and intermediaries in lieu of formal banking, and indeed

in lieu of even possessing a bank account, allows for unscrupulous falsification of documentation. This lack of formal oversight may allow funds of all sums to pass unnoticed. Second, the sheer scope of predicted m-banking remittances assures the presence of criminal funds. Without the regulatory mechanisms to detect and deter criminal funds, m-banking becomes attractive to criminal, possibly terrorist, actors (Villasenor and Monk 2011, 12).

Additionally, with some of these m-banking providers located in the global South, even formal regulatory mechanisms, after which m-banking regulation could be modeled, would likely be less strict than US standards. On a related note, considering the poverty of its targeted market and the expanse of the m-banking network, funds are both small and diffuse, both of which make tracking difficult. Finally, the global South, with its burgeoning Islamic population, poverty and absence of social welfare, is a breeding ground for radicalization. Considering that terrorist organizations have often gained legitimacy through the provision of social service, the presence of both weak states, and substantial Muslim populations in East and North Africa, makes m-banking particularly susceptible to terrorist exploitation.

As demonstrated, the spread of m-banking, assures that “the network of devices available for possible use in illicit financial transactions includes not only every Internet-connected laptop computer, but almost every mobile telephone as well.” With its appeal within the global South, combined with its international scope, and its near-total absence of regulatory mechanisms, m-banking has transformed every mobile device into a potential instrument of terrorist funding.

In summary, US ATF efforts are massively underequipped to protect the US from penetration from digital means of terrorist financing. Both Internet-based financial networks and m-banking pose a laundry list of debilitating problems. They facilitate opaque financial transfers involving highly anonymous, unverified parties with a lack of face-to-face interaction. Nonexistent regulatory oversight is compounded by the absence of documentation. With the transnational scale of digital methods possibly placing them outside the jurisdiction of US regulations, there are legal obstacles to implementing potentially useful US ATF legislation. Finally, the integration of crime, specifically narcotics trafficking, money laundering operations, and credit card fraud, with digital transfer systems provides a convenient environment in which the crime-terror nexus can be exploited and surveillance avoided. Finally, with the sheer speed of transactions allowing for monetary transfer of possibly unlimited sums, terrorist funds can change hands across countries instantaneously.

Proposed ATF Reforms

The fact of the matter is that the digital evolution of TF is rapidly outpacing an increasingly obsolescent TF campaign that has yet to adapt in tactics and strategy to the digital frontier. The emergence and proliferation of new technologies is

outpacing regulatory mechanisms to protect them against financial exploitation. For the War on Terrorist Financing to remain effective in detecting, deterring and disrupting terrorist financing, a number of approaches must be taken. Common to all is a cognizance of the exigent threat posed by both the virtualization and the globalization of terrorism. By implication, new ATF reforms extend beyond the legislative and domestic seizure, sanctions and surveillance strategy. Though these policies may be adapted to combat the digital threat, fighting the War on Terrorist Financing at the digital frontier warrants a global response and technological innovation. The United States must employ the legal instruments at its disposal, chiefly the BSA and Patriot Act to their fullest extent. Further the United States must strive to compel external powers, by virtue of “naming and shaming” and financial penalties, to adopt stricter standards of banking regulation. Closer to home, the state ought to collaborate with the private sector in innovating and implementing digital regulatory safeguards that both detect and defend against terrorist financing.

First, in order to negate the threat of websites soliciting terrorist finance, the US government may work in tandem with Internet service providers. Leveraging of government pressure against service providers who host said websites may be undertaken under “18 U.S.C. Section 2339B, [which] makes it a crime to provide “material support or resources to a foreign terrorist organization” (Greenburg, Roth, Wille, 31). Expansion of this legislation to include a provision regarding the aiding and abetting of material support to or resources to a foreign terrorist organization may go a long way in compelling internet providers to rigorously police websites they host, or pull the plug on suspicious websites. The US has to date used an effective, more amiable approach: simply asking Internet service providers to shut down suspicious websites (Jacobson 2010, 359). The two approaches would be even more effective if used in tandem.

In addition, the threat of websites soliciting terrorist financing can be negated by forcing online gambling sites, such as the ones exploited by Tsouli, to register as Money Services Businesses. Under the PATRIOT ACT Title III expansion of Banking Secrecy Act powers, “all individuals or entities that transfer money, no matter how formal or informal, must comply with all anti-money laundering and counter terrorist financing regulations” (Landman 2009, 41). Thus, as Landman notes, BSA legislation can be effectively used to compel US standards of regulation for all digital networks facilitating financial transactions, thereby including online gambling and virtual worlds, and virtual currency networks, three critically vulnerable areas identified above. BSA provisions would require these MSB’s to undergo Treasury registration, verification of customer identity, and preserve documentation “for transfers of more than \$3,000” (Landman, 42).

While the remaining jurisdictional problems posed by virtual currencies and m-banking may not present themselves to legislative resolution, more aggressive

use of the OFAC “Specially Designated Nationals” list may compel international compliance with US interests. US blacklists have global weight by means of the “naming and shaming” of suspected terrorist-related financial entities discourages economic relationships with them. Even lesser-used and potentially very effective tools lay within the “special measures” section of the Patriot Act, and sections of the IEEPA “which empower the United States “to cut off foreign countries from U.S. capital markets” (Basile 2004, 180). This power may be especially effective in combating the m-banking threat from the global South. These countries, largely dependent upon trade with the US, may be compelled to crack down on irresponsible regulatory practices of m-banking service providers to which their country plays host. Even the drastic notion of conditional aid, contingent upon regulatory reform of m-banking services, may be an appropriate, albeit aggressive tool in mitigating the m-banking risk.

For virtual worlds, further proposed reforms are preemptive in nature. With the clear and present danger of terrorist exploitation, the US can act decisively in protecting virtual economies from terrorist finance. While bringing virtual worlds under BSA supervision is the first step in creating anti-money laundering regulatory mechanisms, extension and adaptation can only go so far. By fostering a culture of self-regulation, the US may accomplish informally what it currently lacks the technological means to do, that is regulating transactions within virtual worlds. By encouraging creators and players within Second Life and other virtual worlds to adhere to Know-Your-Customer policies when undertaking large transactions or when buying real-world items using virtual currency, the US may avoid financial abuse until more permanent technological solutions are found.

The ability to find permanent technological solutions requires governmental collaboration with the private sector (Villasenor and Monk 2011, 15). It stands to reason that those best equipped to implement regulatory safeguards are the creators of the online payment systems in question. Building relationships with the designers of PayPal et al. can only but assist US ATF efforts in understanding and possibly altering digital payment networks.

The US also ought not to hesitate in enlisting another technological agency in the private sector that has already been used to ATF ends: the Society for Worldwide Interbank Financial Services (SWIFT). In the 2001 Terrorist Finance Tracking Program, the Belgian-based SWIFT, which “provides electronic messaging services that direct financial transactions worth trillions of dollars a day...throughout the world” (Lormel 2006) granted the FBI, Treasury, and CIA access to its database. The information obtained, according to then-head of OFAC, Richard Newcomb, “identified the key leaders, fundraisers, businessmen, recruiters, companies, charities, mosques and schools that were part of the [al-Qaeda affiliate, Jemaah Islamiyah] support network,” leading to both capture and sanctions against several agents

responsible (Bender 2006). Direct access to SWIFT’s “communications platform [used] by more than 9,000 banking organizations in more than 200 countries” is of proven value and global reach (Bender 2006, 16). Further, SWIFT officials possess extensive experience in implementing regulatory safeguards for traditional financial institutions worldwide. SWIFT can thus be of critical aid by supplying personnel and technological assistance in addressing the digital TF threat.

Withal, the impact of intelligence reform cannot be underestimated. Intelligence is a critical tool in the ATF toolbox. Upgrades in both funding and technology to critical intelligence agencies, such as the NSA, will better signal intelligence. With al-Qaeda become increasingly adept at using tools of encryption to conceal illicit digital activity, maintaining cutting-edge SIGINT capabilities is imperative in keeping pace (Conway 2006, 9-30). The NSA, FBI, and DOJ all have various responsibilities in Internet surveillance and rendering terrorism-related websites inaccessible (Theohary and Rollins 2011, 7). In order to strengthen intelligence capabilities, there should be increased exchange between these offices, and the office of Terrorism and Financial Intelligence (TFI). In short, more cooperation is needed between the Treasury and other members of the intelligence community if financial intelligence “follow the money” strategies are to be effectively deployed against digital TF. Financial intelligence has proven useful thus far in detecting terrorist funds and disrupting the groups that aim to use them, and therefore further use of financial intelligence is desirable in the digital chapter of the War on Terrorist Financing (Rudner 2006, 50).

Most broadly, the US must level its attentions at the pursuit of a global campaign against terrorist financing. Acting in concert with global financial institutions, such as the IMF, UN and FATF, and partnering with other intelligence and law enforcement organizations, such as INTERPOL, and UK agencies (which apprehended both Babar and Tsouli), will shape the global response necessary to counter global jihad. Coordination of OFAC blacklists with those of the FATF and UN give greater global clout to all, impelling greater international compliance. Likewise, diplomatic initiatives as well as intelligence and personnel sharing will allow for a quicker, more standardized response to terrorist financing and shrink the global lacuna in the War on Terror. This global approach is far from being realized, though its realization would be a boon to the War on Terror at large, and a blow to global jihad.

Caveats of Proposed Reforms

Two main concerns are anticipated with regards to the reforms proposed above. First, privacy considerations militate against Internet censorship and aggressive legislative reform to that end. The introduction of S. 3480, the Protection of Cyberspace as a National Asset Act, in the 111th Congress raises questions as to the extent of appropriate governmental regulation of the Internet. Shutting down terror-related websites, chat rooms and forums to preempt potential financial transfers may

contravene first amendment rights. Certainly, a balance must be struck between individual rights and national interests, and yet, when potential terrorist funds can be transferred rapidly and anonymously through deregulated networks, it may be better to err on the side of caution rather than civil liberties. Further, it must be noted that web pages are the private property of Internet service providers and any decision on their part to censor or pull the plug on said websites, regardless of government encouragement, is perfectly legal.

Secondly, forced implementation of digital regulatory mechanisms, and the de-anonymizing of digital payment networks may broadly disrupt licit digital networks. Indeed, restrictions on m-banking may be seen as inhibiting the fiscal opportunities of the global South. However, the exigency of digital terrorist financing and existing counter-money laundering precedents make the situation clear: the cost incurred is well worth the benefits. Forcing regulation of digital economies and payment networks will benefit US interests, as well as set down precedents and technological solutions that lend themselves to responsible practices in digital transaction.

In conclusion, current ATF efforts thus far are in severe need of further reform. These reforms must seek to emulate and outpace the growth of terror, both globally, and into the digital world. With al-Qaeda adopting a cellular structure, terrorist financing is increasingly mobile, diffuse, and--without core-command and hierarchical organizational structures-- cheap. The resilience and plasticity of al-Qaeda's financial techniques requires constant technological innovation, extensive digital regulation and the international extension of US policies and practices to their fullest extent. Only in this way can the War on Terrorist Finance be won.

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ANC Dominance and Democratic Consolidation in South Africa

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Abstract

On May 10th 1994, the world joined millions of South Africans to witness Nelson Mandela ascend a podium in Pretoria and take the oath of office as the first president of the new South Africa. This moment marked the end of the country's arduous road to freedom, but did not guarantee its survival as a democracy. While many relished the negotiated transition to democracy, which had been deemed a "miracle," Mr. Mandela kept his eyes to the horizon where multiple challenges to the young democracy threatened to take center stage.

Since that historic day, the African National Congress (ANC) has consistently received approximately 70 percent of electorate support, and has ultimately become the dominant party within South Africa. Its symbolic association with the liberation movement against apartheid has largely carried it through elections with staggering margins. This essay investigates how South Africa's dominant party system may be its greatest challenge to democratic consolidation. A democracy is considered consolidated when democracy becomes "the only game in town" (Przeworski 1991). In other words, the populace accepts the legitimacy of the political system and allows it to endure. Although the ANC has been able to win elections and maintain unrivaled power since 1994, their performance has failed to resolve inequalities established by the apartheid regime. Internal friction within the ANC, in addition to unaccountability and inability to provide adequate land reform has drastically undermined the legitimacy of the government. If the ANC continues to be reluctant to address the imminent threats on the horizon, the future of democratic stability in South Africa will remain uncertain.

What is Democratic Consolidation?

THE CONCEPT OF democratic consolidation was popularized by political scientists during the last quarter century following the "third-wave" of global democratization, in which 60 countries, formerly characterized by authori-

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tarian regimes, moved toward democratic rule (Schedler 1998, 91). Since the “third wave,” various definitions attempting to describe exactly what consolidation entails have been put forth. The presence of assorted definitions has led some political scientists to claim that consolidation is seldom understood because examinations into the subject are abstract and have no “clearly identifiable benchmarks” (Mottiar 2002). In other words, it is difficult to understand exactly when a country can be considered democratically consolidated. However, the concept of consolidation is generally viewed as the ultimate end goal of democratization in which democracy becomes “the only game in town” where no one can imagine acting outside of established institutions and democratic practices because those institutions and practices have become deeply ingrained within society (Przeworski 1991).

The internalization of democracy within a society can be broadly indicated behaviorally, attitudinally and institutionally. First, behavioral consolidation is evident when there are no significant attempts to overthrow the democratic regime or secede from the state. Second, attitudinal consolidation pertains to society’s belief and commitment to upholding democratic procedures. Institutional (sometimes referred to as constitutional) consolidation is apparent when governmental and non-governmental forces resolve conflicts within the bounds of laws endorsed by the democratic process (Mottiar 2002). These indicators, when analyzed through the lens of structural context, become illustrative and play the important role of identifying the areas that may either hinder or promote democratic consolidation. Conditions within the structure of a country such as inequality, crime and poverty play a major role in shaping societal attitudes. Those attitudes develop into behavior that is essentially a manifestation of the conditions which affect democratic consolidation. Many political scientists may claim the concept of democratic consolidation is incredibly ambiguous, however, behavioral; attitudinal; and institutional indicators can provide illustrations of the success and failures of democracy within a structural context; thus, testifying to the status of the end goal of democratization-consolidation. For example, the entrenchment of democracy in the Philippines can be demonstrated through both the government’s ability to withstand an attempted military coup in 2003, and the electorate’s rejection of President Gloria Macapagal-Arroyo’s use of extra-constitutional means to extend her term (Ginsburg 2007, 95). Here, democracy prevailed against two significant tests.

Moreover, socio-economic development (contextualized structural conditions) is primarily the responsibility of the regime leading the country. Samuel P. Huntington, in reference to “third wave” democracies, claimed that the major challenge for these democracies is not the possibility of being overthrown, but erosion caused by the gradual weakening of democracy by those elected to lead (Huntington 1996, 9). When leaders adopt policies and practices that undermine the legitimacy of their government they initiate the erosion of democracy. Legitimacy is thus an essential

element to democratic survival. Dr. Adrian Leftwich proposes that a democratic polity cannot endure and become consolidated unless it boasts legitimacy (Leftwich 2000, 136). Both constitutional and political legitimacy must be accepted in order to maintain democratic stability. In other words, for democracy to become “the only game in town,” legitimacy must exist through the acceptance of the formal structure of laws regulating the competition, distribution and organization of power (Leftwich 2000, 137). Leaders must ultimately adhere to the rules of the political game. In order for democracy to endure, losers must abide by the result of elections, while conversely, winners must understand that they are not in power forever and will have to compete again (Leftwich 2000, 139). Democracies will achieve a peaceful transfer of power, a major criteria for a stable democracy, if those in power ensure the legitimacy of the state by understanding they will not be in power forever.

Furthermore, Huntington’s “two-turnover test” stresses the importance of a legitimate peaceful transfer of power in a democratic system. It advocates that “a democracy may be viewed as consolidated if the party that took power in the initial election at the time of transition loses a subsequent election and turns power over to those election winners, and then those election winners proceed to peacefully turn over power to the winner of a later election” (Huntington 1991, 266). In a dominant party system, like that of South Africa, no such transfer of power has occurred. With regard to the attitudinal indicator, Huntington’s “two turnover test” would deem the absence of a transfer of power anti-democratic behavior because it fails to demonstrate that the state is an enduring democracy. The biggest test to a democracy is a peaceful transfer of power; if this continues to be a farfetched concept in South Africa, it will remain unknown whether or not the African National Congress (ANC) would really accept losing a national election (Schedler 1998, 98).

The Dominant Party System

The African National Congress (ANC) has solidified its role as the dominant party within South Africa by receiving approximately 70 percent of electorate support in national elections following the historic 1994 election of Nelson Mandela. In a dominant party system, multiple parties compete for power, but only one party wins consecutive elections (Lodge 2003, 154). This structure arguably may have played an important role in establishing the foundations of a democratic regime in the infancy of the newly freed South Africa because it is more stable than a system characterized by multiple fragmented parties. However, dominant parties have the ability to be incredibly undemocratic; looting the economy, intimidating minorities, and participating only in elections they know they can win (Butler 2005, 735). Unfortunately, the negative impacts of dominant parties increase the longer they remain in power (Butler 2005, 735). Because the dominant party system is so unbalanced in the favor of one recurring winner, opposition becomes discouraged. The absence of opposition to the ruling party ultimately eliminates the threat of losing

power which affects the accountability of the government. When a genuine electoral challenge finally does emerge, a dominant party system is likely to become either a competitive multi-party state or an authoritarian one-party regime (Butler 2005, 735). In other words, the future of the state depends on how the dominant party reacts to a genuine electoral challenge. If the challenge is accepted it could become a competitive multi-party state, but repression of the challenge could result in the development of an authoritarian one-party regime.

Since the ANC's rise to dominance in South Africa at the end of apartheid, elections have been entirely predictable. Mandy Rossouw, a political reporter at the *Mail & Guardian* in South Africa, describes election time as an occurrence every five years when the ANC beats the "we won liberation for our people" drum to attract voters (Rossouw 2009). The symbolic history of the ANC as the party of liberation has allowed it to receive the majority of votes in elections regardless of the party's performance. Tom Lodge claims that the supporters of the dominant party will be fairly uncritical if the party represents a racial majority in a society which has a history of racial conflict and oppression (Lodge 2003, 154). With this in mind, it is possible that the black majority has an affinity with the ANC that renders it uncritical of the party's performance. The ANC is renowned as a driving force during South's Africa's struggle for freedom. Following years of nonviolent protest against apartheid, the ANC developed a military wing called *Umkhonto we Sizwe* ("Spear of the Nation") in 1961 in the wake of being banned as a political party (Joyce 2007, 120-21). This wing of the ANC favored "hard targets" and carried out acts of sabotage against police stations, post offices, electrical substations and railway installations instead of putting civilians at risk (Joyce 2007, 120-21). The response from the apartheid government was a violent one. Policies were implemented giving law enforcement the tools necessary to discourage involvement in *Umkhonto we Sizwe* and association with the ANC. Among the policies were the Sabotage Act (1961) and General Law Amendment Act (1961). The former allowed the restriction of any persons the regime found suspicious, while the latter included a "ninety-day" clause that provided every police officer with the authority to detain any person suspected of "political activities" for up to three months without a warrant (Joyce 2007, 121). Once the liberation movement turned violent, the struggle for freedom in South Africa made waves throughout the world. It was a cause that many devoted their lives to, and has become an era in South Africa equal in status to the achievement of independence and freedom movements in other countries around the world. The ANC was a key player in the struggle for freedom in South Africa, and has been remembered as such by their constituents.

While opposition parties have always existed in South Africa, they have never posed a significant political threat to ANC dominance because they have no way to acquire the type of legitimacy the ANC has through its historic role in the liberation

movement. This could ultimately discourage not only challenges from opposition parties, but participation from South Africans in the electoral process altogether. This effect on the electorate was evident in the two national elections following 1994. According to the International Institute for Democracy and Electoral Assistance (International IDEA), the number of valid votes declined from over 19.5 million in 1994 to 15.9 million in 1999 (International IDEA). Likewise, in 2004, valid votes in the national election dropped to 15.6 million (International IDEA). In addition to votes, the ANC's active membership has also declined, most likely because South African politics have become less exciting and more predictable (Lodge 2003, 160). Adrian Leftwich theorizes that democratic elections are "a process of institutionalizing uncertainty," claiming that because democratic politics involves open competition for power, no group should be certain of winning (Leftwich 2000, 138-39). If the ANC is aware of its capability to use its symbolic history in order to earn approximately 70 percent of votes in national elections, then South Africans are aware of whom the winners and losers are well before the polls close. The only viable challenge to ANC dominance would be a political schism from within, since opposition parties have been unable to attract votes from the South African black majority.

Recent Challenge to ANC Dominance

A recent rift prior to the 2009 South African national elections introduced the country to its first black opposition party. The Congress of the People (COPE) was formed in 2008 following a split between ANC leadership in 2005. The rift within the ANC began when former president, Thabo Mbeki, fired his deputy Jacob Zuma in June of 2005. He was fired when it was discovered that his financial adviser, Schabir Shaik, was found guilty of corruption (Rossouw 2009). Though Zuma was implicated in the crime, no charges were brought against him. In the midst of the corruption case, Zuma was also accused, but ultimately acquitted, of raping a young HIV-positive woman. The onslaught of bad press called for serious damage control on the part of President Mbeki. However, when he chose to fire Zuma, the ANC's rank and file revolted and demanded Zuma's reinstatement (Rossouw 2009). The uprising forced Mbeki to reinstate Jacob Zuma as the ANC's deputy president, but he refused to reinstate him as the second in command of the nation as a whole. Despite these efforts to maintain control of the party, the ANC fired Thabo Mbeki in September of 2008. This move by the ANC created a ripple effect that was felt a week later when eleven of the President's ministers and three deputy ministers loyal to Mbeki all resigned (Rossouw 2009). These events laid the groundwork for the establishment of COPE, the first black opposition party in South Africa. COPE styled their campaign around Barack Obama's "hope and change" mantra as an attempt to attract voters fed up with the ANC's poor service delivery record, unaccountability and corruption (Rossouw 2009). Public discontent was illustrated across townships in South Africa where protestors expressed their

frustrations with the ANC's inability to provide over one million South Africans with electricity and clean water. Municipal IQ, which monitors municipal services in South Africa, found an increase in the number and size of protests concerning service delivery (Municipal IQ 2009).

Although the ANC won re-election in 2009 to another five-year term, and captured 264 seats of the 400 seat national assembly (three short of the two-thirds majority required to alter the constitution), the schism within the party before the election made politics in South Africa interesting again. One indicator of increased interest is that on Election Day voter turnout rose by over 2 million votes from the 2004 national election (International IDEA). While there was no doubt that the ANC would remain the ruling party and elect their leader Jacob Zuma to the presidency, the precedent set by COPE as the first legitimate contender briefly redrew the line between the ANC and the South African government. Although this line has been blurred since 1994, COPE's presence gave South Africans a taste of democratic electoral competition in the 2009 national election. Unfortunately, COPE's dismal performance in the 2011 municipal elections crushed the hope that the party would become a perennial challenger to the ANC, but nevertheless this precedent has the ability to re-establish Leftwich's notion of democratic elections as "a process of institutionalizing uncertainty." Once the ANC realizes that there is a possibility of viable competition emerging from the periphery, they will be inclined to assess their performance. This isn't to say that the ANC will be ousted within the next election, but the mere presence of a worthy opponent that could cost the ANC parliamentary seats and authority within the provinces of South Africa, may persuade the party to become more accountable.

The Future of Democracy in South Africa

Political Risk Services (PRS) is a widely accepted system of independent political risk forecasting. According to the recent PRS report on South Africa, the most likely regime scenario within the next five years resembles the current domestic situation (PRS 2010, 13-14). While the 2009 election established a precedent for viable political opposition to the ANC, the party will most likely retain its dominance for the next five years (PRS 2010, 14). The PRS analysis admits that during their five-year forecast period the ANC will most likely control the presidency and legislature, but will also face daunting challenges that may have negative implications on the future of democracy if they are not addressed.

Internally, according to the PRS, the ANC will continue to struggle appeasing both advocates of the liberal economic policies introduced during the Mbeki administration and a leftist bloc that favors a socialist policy (PRS 2010, 14). Internal friction between the ANC's socialists and liberals was forecasted to be the cause of a split within the party since the 1990s (Rossouw 2009). The party has often regarded itself as a "big tent" capable of accommodating a multitude of ideologies. The ANC

could easily accommodate different ideologies during its fight against apartheid. The different factions within the ANC ultimately put their differences aside to unite against the ruling white minority. Now that the goal of freedom has been achieved, it is only a matter of time before rifts in the ANC will become more prominent.

With this in mind, it may be easier to think of the current ANC as a coalition of parties under one banner. Within the ANC there are three primary factions, also known as the Tripartite Alliance, which include: ANC proper, the Congress of South African Trade Unions (COSTAU) and the South African Communist Party (SACP) (Stratfor 2011). COSTAU is arguably the most powerful group represented in the Tripartite Alliance. It is South Africa's largest trade union federation boasting over 1.8 million members (Stratfor 2011). This number of members makes COSTAU an important voting bloc within the ANC, which gives it enormous potential to influence President Zuma's economic policy. For example, the wages of South African workers have struggled to keep pace with the cost of living, resulting in workers strikes across a variety of sectors during the annual midyear period when unions negotiate wages and benefits for their members (Stratfor 2011). If President Zuma does not appease the unions, he could lose electoral support from a major voting bloc he needs to be re-elected. Unfortunately, in order to bridge the gap between competing ideologies within the ANC, President Zuma will have to make compromises to appease both wings. The circumstances of this balancing act may drastically affect the route he decides to take with economic policy in the future, an uncertainty that may discourage investors.

Additionally, there seems to be a developing internal struggle between the ANC and the ANC Youth League (ANCYL). The Youth League was established in 1944 to recruit, unite, consolidate and discipline African youth to become the future leaders of South Africa (ANCYL Manifesto 1944). Recently, the ANCYL displayed its abilities to unite the ANC's young rank and file by mobilizing support for Jacob Zuma's reinstatement and the eventual firing of former President Thabo Mbeki in 2008. However, controlling the ANCYL has also become a challenge. The former president of the ANCYL, Julius Malema, was critically renowned for issuing reckless statements pertaining to the nationalization of South African industries and mines, in addition to racially divisive statements that drew on the sensitive issue of past race relations in South Africa (Stratfor 2011). For example, Malema was a strong advocate for radical land reform. He praised Zimbabwe's President Robert Mugabe for implementing policies that returned the country's land to its rightful owners (Atuahene 2011, 124). These calls for retribution critically point out the ANC's failure to provide adequate land reform with racially motivated undertones. Unlike other issues in South Africa such as unemployment and income disparity, land inequality is easy for the black majority to understand because of its historical roots (Atuahene 2011, 122). Malema was expelled from the ANC for "portraying

its government and leadership under President Zuma in a negative light” (Bauer 2011). He has maintained a strong support base and plans to appeal his expulsion. Although he may remain on the fringe of the party right now, Malema’s charisma could potentially bring him to the helm of a populist movement behind the land reform issue alone. He is gaining popularity and will continue to do so if the ANC does not make significant improvements to the daily lives of the black majority. The ANC party leaders have punished Malema for his reckless actions through suspension and subsequent expulsion as ANCYL President, but it is clear that Malema is still an aspiring force. If supporters from the ANCYL remain loyal to Malema and press the land reform issue, this developing generation may have the potential to really shake the party up in the future.

Additionally, South Africa’s socio-economic disparities continue to undermine the legitimacy and effectiveness of the state. The country’s high crime rate is largely attributable to excessive poverty and unemployment. Despite the government’s recurring pledges to combat rising crime rates by providing better training for police and security officials, the magnitude of crime continues to surpass the capabilities of security services (PRS 2010, 20). According to the 2009 Rule of Law Index, South Africa received its lowest scores in accountability of military, police, and prison officials in addition to the ability to enforce a stable law that protects “security of the person” (World Justice Project 2009). The Rule of Law Index classifies “laws that protect the security of person” as a fundamental right. South Africa is often regarded as a shining light on the African continent, boasting one of the most progressive constitutions in the world, but in comparison to countries in Sub-Saharan Africa and Upper/Middle Africa, South Africa fares worse overall when it comes to protecting fundamental rights.

The ANC has undoubtedly reformed South Africa since 1994 with regards to the fundamental overhaul of state institutions that existed during apartheid and the establishment of new institutions that together seek to ensure the economic and political stability of the new South Africa (Beall, Gelb, and Hassim 2005, 682). Such institutions contribute to a certain stability within society characterized by the interactions between citizens and the state based on the democratic principles of representation, taxation and accountability (Beall, Gelb, and Hassim 2005, 682). However the aforementioned social problems that characterize South Africa undermine the effectiveness of the ANC and their policies. Poverty, inequality, unemployment, HIV/AIDS and personal and property insecurity have not improved since the apartheid era, and in some cases have even deteriorated further (Beall, Gelb, and Hassim 2005, 683). For instance, in 2002 an estimated 37 percent of South Africans lived below the national poverty line (Woolard 2002). Additionally, unemployment rates in 2003 were projected to be almost 42 percent among economically active citizens. Research conducted by the Southern African Regional Poverty Network

(SARPN) found that the poverty gap has grown faster than the economy over a period from 1991-2001. This indicates that poor households have not shared the benefits of economic growth (Schwabe 2004). In other words, the ANC has worked to establish institutions that ensure economic stability, but they have been unable to ensure the populace benefits from the success of these institutions.

In addition to poverty, inequality and unemployment, issues concerning HIV/AIDS and violent crime also plague the effectiveness of the ANC. In 2002, the estimated HIV prevalence rate in South Africa was approximately 11.4 percent, making South Africa the country with the largest HIV+ population in the world (HRSC 2003). Following the fall of apartheid, South Africa was designated as the murder capital of the world by Interpol data with 64 murders per every 100,000 people. Violent crime within South Africa continues to thrive with 47.4 murders for every 100,000 people, 115.3 rapes and 1286.5 assaults in 2003 (Beall, Gelb, and Hassim 2005, 683). These social problems characterize conditions within the structure of South Africa, and play a major role in shaping societal attitudes. Those attitudes have the potential to develop into behavior that may affect democratic consolidation.

Furthermore, the government’s inability to adequately address land reform has the potential to cause mass social uprising. The minority white ruling class stole large quantities of land from black Africans through the Natives Land Act of 1913. This law prohibited blacks from owning land that was not in a “scheduled area.” These scheduled areas were overpopulated tribal lands that would later become the Transkei, Ciskei and Kwazulu homelands, the bedrock of the apartheid regime’s network of areas set aside as black homelands, or “bantustans” (Joyce 2007, 43). During the struggle for freedom, reclaiming this stolen land became a rallying cry for the liberation movement. However, fairly redistributing this land has proven to be a real challenge to the ANC. When Nelson Mandela took office in 1994, approximately 87 percent of South Africa’s land was owned by whites, who made up ten percent of the entire population (Atuahene 2011, 121). With consultation from the World Bank, the ANC created a plan to redistribute 30 percent of the land owned by whites to blacks by 1999, however in 2010 only eight percent of land had been reallocated (Atuahene 2011, 121).

The sentiments throughout the black community testify to the fact that land reform is a major issue. In 2009 James Gibson conducted a survey of 3,700 South Africans about land reform and found that over 85 percent of black respondents believed that “most land in South Africa was taken unfairly by white settlers, and they therefore have no right to the land today” (Atuahene 2011, 121). Gibson also found that over 66 percent of these black respondents believed that “land must be returned to blacks in South Africa, no matter what the consequences are for the current owner and for political stability in the country” (Atuahene 2011, 121). The PRS also warned that landless blacks’ sense of entitlement to the land they deemed

“stolen” could result in an upsurge in illegal land seizures across the country. Section 25 of the new South African constitution provides guidelines for a process for land redistribution in a fair manner. It states that “South Africans whose property was dispossessed after 1913 as a result of racially discriminatory practices are entitled either to restitution of that property or to equitable redress” (Atuahene 2011, 122). Unfortunately, this hasn’t happened in South Africa. The ANC has underfunded land reform projects and failed to assist the recipients of property or equitable redress stated in section 25 of the constitution. Their inactions imply a certain insincerity, further antagonizing the black majority.

While it has been clearly forecasted that the ANC will likely remain politically untouchable within the next five years, despite developing internal friction, they are still economically vulnerable. This vulnerability directly translates to their inability to provide adequate land reform to the black South African majority. Because the ANC relies heavily on capital from white South Africans and foreign investment in order to maintain a healthy economy, the ANC cannot pursue policies that may compromise capital (Atuahene 2011, 124). Unfortunately, if the ANC continues to underfund land reform projects and ignore the black majority that feels entitled to regain their land, they may in fact begin to seize land themselves and create total unrest and chaos.

Conclusion

Although South Africa may not resemble the stereotypical developing country, it still faces an array of challenges to democratic consolidation. Among these challenges is the dominance of the African National Congress (ANC). Democratic consolidation is the ultimate goal of democratization in which democracy becomes “the only game in town” where no one can imagine acting outside of established institutions and democratic practices because those institutions and practices have become deeply ingrained within society. Members of society demonstrate their acceptance or rejection of democracy through behavior that is driven by attitudes that reflect the conditions within society. In order for these members to accept democracy and allow it to endure, the state and its institutions must be legitimate. An important indicator of the health of a democracy is its ability to sustain a peaceful transference of power. According to Huntington’s “two turnover test,” South Africa exemplifies an undemocratic characteristic in that it has not experienced a transfer of power. If there is no open competition for power, the winners and losers are certain who they are. While the dominant party structure had its benefits during the infancy of South African democracy, dominant parties have the ability to become increasingly undemocratic the longer they remain in power. If the ANC cannot lose an election, there isn’t a democratic institution that can hold leaders accountable.

While the Congress of the People (COPE) emerged from within the ANC and established the precedent for viable opposition in the 2009 national election, the

party later faltered in the 2011 municipal election. It is still unlikely that the ANC will be ousted anytime soon unless it endures a major internal schism. The ANC was able to operate as a Tripartite Alliance (ANC proper, COSTAU and SACP) when each faction was battling a common enemy — apartheid. Fortunately, that enemy has been defeated, but friction between competing ideologies in the party may soon take center stage and yield a different ANC or multi-party system in the future.

Additionally, the role the ANC Youth League and its former president, Julius Malema, will play in the future of South African democracy is also unknown. Malema has advocated for the nationalization of industries and mines as well as invoked racially divisive speech that could potentially provoke a social uprising in the midst of daily socio-economic challenges and inadequate land reform.

Unfortunately, we cannot forecast exactly what the ANC will look like in the future, but its policies and practices will undoubtedly shape democracy in South Africa as long as the country is characterized by the dominant party system. With major problems like crime, poverty and land reform looming like a storm cloud over Cape Town’s Table Mountain, South Africa may be a thunderclap away from unrest. The ANC will have to face these challenges and balance internal politics in order to make significant improvements to the everyday lives of South African citizens. It is a tall order that leaves the future of democracy vulnerable.

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The Role of Natural Resources, Strategic Assets, and Human Rights in U.S. Foreign Assistance Allocation

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Abstract

The United States is a primary actor in most international human rights organizations and is a permanent member of the United Nations Security Council. As such, it is important that U.S. international human rights policy serves as an appropriate model for other countries to adopt and follow. To the contrary, studies have indicated that U.S. human rights policy may be motivated by factors other than the alleged drive to enforce international human rights standards. This research seeks to expose the factors that mitigate the importance of human rights considerations in foreign assistance allocation. Specifically, I address whether or not the U.S. allocates more aid to countries that are (1) rich in natural resources and (2) high in strategic value. As the dependent variable, I include a measure of American bilateral 'official development assistance' to a recipient country. I employ multivariate regression analysis across the dependent variable and 11 independent and control variables to test the validity of my hypotheses. I find that the U.S. appropriates slightly more 'official development assistance' to countries rich in energy resources, but not countries high in strategic value. These findings have implications on the legitimacy and sincerity of American human rights efforts, especially in the resource-rich Middle East.

Introduction

MOST AMERICANS WOULD generally agree that promoting international human rights is an important U.S. foreign policy objective. However, debate over how to reconcile strategic, commercial, and economic concerns with the professed obligation to enforce human rights still plagues American politics and society. Despite U.S. assertions that promoting international human rights is in its "national interest", many claim that the United States subverts human rights to other, more self-interested concerns (*United States Department of State*). For better or for

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worse, the United States is a primary actor in most international—governmental and non-governmental—organizations and plays a decisive role in developing their human rights agendas. The claim that American human rights policy is motivated by factors other than the duty to protect and enforce human rights is, therefore, particularly worrisome. A robust literature exists examining the relationship between U.S. foreign assistance allocation and human rights, but little research examines the factors that mitigate the role of human rights in foreign aid decisions; available research is inconclusive and lacks in methodological rigor. I seek to fill the gap in the literature by examining the specific role of natural resources and strategic assets in U.S. foreign assistance policy. My methodology entails multivariate regression analysis across 11 variables, which measure a range of possible factors that drive American foreign aid decisions.

In this paper, I attempt to answer the question, “what factors mitigate the importance of human rights considerations in U.S. foreign assistance allocation?” I argue that the U.S. allocates more aid to (1) countries rich in natural resources and (2) countries high in strategic value. I contend that, although the U.S. considers human rights an important foreign policy factor, it is more concerned with maintaining power and prestige vis-à-vis natural resources and strategic assets, and is thus likely to allocate more foreign assistance to these countries.

Theoretical Background and Prior Research

Established national laws in the United States—passed increasingly since the end of the Vietnam War—dictate that human rights considerations influence foreign aid allocation decisions. Most legislation concerning human rights is related to U.S. foreign assistance allocation (a human rights ‘instrument’): the 1961 Foreign Assistance Act, the 1973 Foreign Assistance Act, the International Security Assistance and Arms Export Control Act of 1976, and the International Financial Institutions Act of 1977 (Abrams & Lewis, pp. 815). The 1961 Foreign Assistance Act provides that no assistance may be allocated to governments that engage in a consistent pattern of rights violations, such as torture, prolonged detention without trial, and other “flagrant denials of the right to life liberty and the security of person” (Legislation on Foreign Relations Through 2002, pp.59). The Foreign Assistance Act passed in 1973 clarified the provisions of the 1961 act and re-iterated the United States legal commitment to human rights. The International Security Assistance and Arms Export Control Act of 1976 sought to prevent the transfer of American military aid or export of arms to governments that abuse the rights of their citizens (International Legal Materials, pp.1197). A year later, Congress passed the International Financial Institutions Act of 1977, which restricted the ability of financial institutions to do business with governments that violated human rights (Loescher, pp.556-557).

However, “extraordinary circumstances”, or legal loopholes, allow aid to go to countries that abuse human rights, if the aid is directly benefiting needy people

(Apodaca & Stohl, 1999). For example, the U.S. is able to give countries such as North Korea and Pakistan foreign assistance (humanitarian and security, respectively) because circumstances exist in which, despite abuse allegations, the aid is directly benefiting the people. It appears, at least on paper, that the U.S. considers the human rights practices of a state when allocating foreign assistance.

Regardless, scholars such as David Cingranelli, David Forsythe, and Steven Poe contend that the United States ignores human rights when faced with more pressing security matters. For example, during the Cold War (1945-1991), “human rights concerns were subordinated to anti-communism and rivalry with Soviet Union (Donnelly, pp. 115-116)”. The historical foreign policy behavior of the United States also suggests that natural resources and strategic assets are more important than human rights. Many of America’s most trusted allies around the world, including Saudi Arabia, Egypt, Colombia, and Pakistan, blatantly violate the rights of their citizens. For instance, the U.S. allocated over two billion dollars in military assistance to the Pakistani government despite widespread, credible allegations that its military was involved in human rights violations (Schmitt & Sanger, 2010). In addition, despite findings that Chad, the Democratic Republic of the Congo, Sudan, and Yemen conscripted child soldiers, the Obama Administration is “allowing American military aid to continue to the four countries, issuing a waiver of a 2008 law, the Child Soldiers Prevention Act” (Knowlton, 2010). U.S. policy practice suggests that factors other than economic need and human rights come into play when allocating foreign assistance.

In one of the first and most cited studies of its kind, David Cingranelli and Thomas Pasquarello (1985) look at the distribution of U.S. foreign assistance to Latin American countries, finding that level of assistance did not vary with the human rights practice of the state. Burton A. Abrams and Kenneth Lewis (1993) also examine the relationship between human rights and U.S. foreign assistance and find that the U.S. considers need, human rights records, and other factors when allocating aid (Abrams & Lewis, pp. 815). A study by Claire Apodaca and Michael Stohl (1999) addressing the same issues comes to a slightly different conclusion, that while human rights does determine what countries are given aid and how much, other security interests are more important (Apodaca & Stohl, pp. 195). Some studies focus on particular types of U.S. foreign assistance, such as development or humanitarian/disaster aid and its relationship to human rights policy (see Cooper Drury and Richard Olson, 2005; Arjun Sengupta, 2002).

Research in the discipline indicates that, along with human rights, natural resources and strategic assets are important factors determining U.S. foreign assistance policy. U.S. natural resource policy prefers cheap minerals and resources from third world countries over more expensive domestic supplies. Christine Parthemore (2011) claims, “As of 2009, the U.S. was ‘one-hundred percent dependent on imported

supplies of 17 minerals' (Parthemore, pp. 5)". As a result, securing access to valuable minerals, including precious ores and rare earth metals, is a major American foreign policy concern; many of these minerals are vital for the communication, technological, and defense industries. Access to energy resources, such as petroleum and natural gas deposits, is another indication of the importance of natural resources in U.S. foreign policy. President Barak Obama stated that "with just three percent of the world's reserves, there's no way the U.S. could drill its way to energy independence" (Horsley, 2011). America's unwillingness or inability to sustain its own resource consumption makes the acquisition and retention of natural resources a dominant foreign policy objective.

Prior research implies that the United States favors countries high in strategic value regarding its foreign policy (see Apodaca & Stohl, 1999; Nancy Qian & David Yanagizawa, 2003). The U.S. has maintained, fairly consistently over its history, that national security and the 'national interest' are of paramount importance in foreign policy agendas, even when allocating foreign aid. In a recent report released by the United Nations, countries of strategic importance are found "to receive much higher allocations per capita than the average recipient, even though development assistance standards place human and development needs over the political and economic priorities of donors" (United Nations, page 1). Strategic assets and considerations are so paramount that "unfortunately, the U.S. has demonstrated that it will maintain close ties with strategic partners despite repressive policies" (Trister, 2010). The need to increase national power and prestige via strategic assets appear to trump other concerns, such as *human* security.

Research Contribution

Primarily, my research contributes to the body of literature on the importance of human rights in U.S. foreign assistance allocation by addressing the specific role of natural resources and strategic assets in shaping that policy. Many studies have focused on the relationship between human rights and foreign assistance policy, but have come to vague conclusions. A fraction of studies indicate that the U.S. considers human rights when allocating aid but the vast majority concludes the opposite. I seek to develop a more definitive answer by hypothesizing the specific factors that mitigate the importance of human rights in American bilateral aid considerations. In this regard, my study is unique.

Second, my research contributes to the body of literature on human rights and foreign assistance because my design seeks to correct some of the methodological errors encountered by prior studies. I hope that in doing so, my results will be more legitimate than that of other research endeavors. One major problem with prior studies is the problem of robustness. David Carleton and Michael Stohl (1987) purport that "utilizing human rights measures derived from different sources, or using slightly different sets of cases, or slightly different sets of economic data,

produces substantially different results" (Carleton & Stohl, pp. 1014-1015). As a result, I have included two human rights measures in my study—one utilizing the Political Terror Scale, and another employing a Freedom House index. If my models display similar findings across both human rights measures, then my results are robust (and hence, not model-dependent) and probably representative of a real-world relationship. Another pitfall of prior studies on U.S. human rights policy is that they tend to focus on a small time period (Lai, 2003), a limited geographical area (Cingranelli and Pasquarello, 1985), or both. My research—in employing a large N ('sample') study—seeks to diminish this weakness by employing data over a relatively long time period (1980-2009), a wide range of countries (177), and all geographical regions.

Hypotheses

I have three primary hypotheses predicting how my independent and control variables will impact my dependent variable, U.S. bilateral foreign assistance allocation ('AID'). My hypotheses seek to answer the question: What factors mitigate the importance of human rights considerations in U.S. foreign assistance allocation?

HYPOTHESIS 1 (null hypothesis): In determining how much aid a country is to receive, the U.S. considers the human rights record and the economic need of a state only.

I expect this relationship because U.S. law dictates that foreign aid not be allocated to countries that abuse human rights.

HYPOTHESIS 2: I predict that the U.S. allocates more aid to countries rich in natural resources.

I expect this relationship because historical trends in U.S. foreign policy suggest that national interests—economic and security—are paramount to social factors such as human rights.

HYPOTHESIS 3: The U.S. will allocate more aid to countries high in strategic value.

I expect this relationship for the same reason as Hypothesis 2.

Methodology

To determine what factors mitigate the importance of human rights considerations in American foreign aid policy, I analyzed seven independent variables and four control variables against my dependent variable of annual bilateral U.S. foreign assistance. My analysis is based on 29 years of data (1980-2009) across 177 countries. The time period was chosen to account for U.S. human rights policy both during and after the Cold War and to provide sufficient room for statistical analysis. American human rights policy was largely driven by an anticommunist agenda during the Cold War, and I want to both account for modern U.S. policy practices, as well as

behavior over time. The countries included in my study were chosen because of data availability across time and sources.

Bilateral U.S. Foreign Assistance (AID): Dependent Variable

As my dependent variable, I utilize U.S. bilateral foreign assistance data from the World Bank and the United States Agency for International Development. I code this variable AID. AID measures net bilateral ‘Official Development Assistance’ (ODA) flows from the United States to recipient countries in millions of U.S. dollars. One of the stipulations of receiving ODA, for example, is that the recipient country must not engage in a pattern of gross violations of internationally recognized standards of human rights (Senupta, pp.1426). For the purposes of my research—to control for AID over time—I divided the total bilateral foreign assistance per case (country/year) by the total net bilateral foreign assistance per year (the sum all countries per year). I computed AID so that each case represents a percentage of total U.S. aid for that year. This accounts for changes in U.S. foreign assistance over time. Figure 2 (below) shows expected relationships between AID and my 12 independent and control variables.

Figure 1: Expected Relationships between Dependent Variable AID and Independent/Control Variables

	AID
PTS	Positive: as PTS increases, AID increases.
FH	Positive: as FH increases, AID increases.
ORES/MTLS	Positive: as ORES/MTLS increases, AID increases.
ENGYPRD	Positive: as ENGYPRD increases, AID increases.
GDP	Negative: as GDP increases, AID decreases.
POP	Positive: as POP increases, AID increases.
EXPORTS	Positive: as EXPORTS increases, AID increases.
MILDIS	Positive: as MILDIS increases, AID increases.
LATCAR	Positive: cases coded ‘1’ have high AID scores.
ISRL/EGYPT	Positive: cases coded ‘1’ have high AID scores.
IRAQ	Positive: cases coded ‘1’ have high AID scores.
AFGHAN	Positive: cases coded ‘1’ have high AID scores.

* Descriptions of all independent and control variables can be found in the following sections.

Political Terror Scale Human Rights Measure (PTS): Independent Variable

As my independent variable and measure of a country’s human rights practice, I use the Political Terror Scale (PTS), a dataset of human rights practices covering years 1976 – 2011. Countries are coded a score of one through five, one being the

best possible human rights practice and five being the worst. The PTS is coded from *United States State Department Annual Human Rights Reports*, reports conducted every year by State Department analysts on global human rights practices. The PTS captures only human rights violations perpetrated by the state (or state actors) and thus ignores some aspects of societal violence. The human rights violations that the PTS does measure include torture, political murder, executions, disappearances, etc. though only if the State is responsible for the abuse (<http://politicalerrorscale.org>). I chose the PTS human rights measure as my independent variable because (1) the violations it measures coincide with what I perceive American policy and decision makers to view as the most inexcusable violations (and reflect a dimension of U.S. human rights policy) and (2) the Political Terror Scale has been used in numerous studies in the field of international human rights (See Apodaca & Stohl, 1999; Blanton, 2000).

I predict that PTS will have a strong, positive effect on AID: as PTS increases, AID increases (see Figure 2). I hypothesize that the U.S. is more likely to give foreign assistance to countries that abuse human rights. The U.S. gives hundreds of millions of dollars in foreign assistance to countries that abuse human rights, such as Egypt, Ethiopia, and Yemen, to name a few. The U.S. allocates over five hundred million dollars every year to Ethiopia, despite its complete decimation of civil society and human rights advocacy (Trister, 2010). The same scandal is being repeated in Southeast Asia, Latin America, and the former Soviet Union; the U.S. continues to fund human rights violators despite promises and laws proclaiming not to do so. I therefore suspect that the United States is more likely to fund human rights violators than not.

Freedom House “Freedom in the World” Index (FH): Alternative Independent Variable

As an alternative independent variable and measure of a state’s human rights practices, I employ the “Freedom in the World” Index created by Freedom House. I code this variable FH. The Freedom House index scores countries on a scale of one through seven (one being the best, seven being the worst) twice: once for political rights and once for civil rights. Based on the descriptions of the scores, I conclude that FH measures roughly the same concepts (political, civil, integrity rights) as the PTS and thus serves as an appropriate alternative variable. For the purposes of my research—to create a comparable score to the PTS—for each country, I added the scores (one through seven) of both the civil and political rights and divided by two to come up with one aggregate composite. I predict (like PTS) that FH will have a strong, positive effect on AID: as FH increases, AID also increases (see Figure 1). I expect the U.S. to give more aid to countries that abuse human rights for the same reasons discussed above.

There are some slight differences in the FH and PTS scales that should be noted. First, the FH measure puts greater emphasis on liberties and “freedom—the opportu-

nity to act spontaneously in a variety of fields outside the control of the government” (Freedom House, 2010). This proves problematic because the PTS emphasizes a completely different dimension of human rights (physical integrity rights). The PTS emphasizes abuses against the physical wellbeing of the person, including torture, unlawful imprisonment, and extrajudicial murders. On the other hand, the FH index measures physical integrity rights and liberties, such as government non-interference in the economy. Therefore, while measuring essentially the same ideas, there are differences in FH and the PTS that could impact my results. The second difference in the FH and PTS scales that should be noted is that the FH scale does not require that the State or a State actor perpetrate a violation to be considered in the measure (the PTS prescribes the opposite). For example, the human rights measure of a country experiencing attacks from terrorists (non-state sponsored) or insurgents would be much higher on the FH scale than on the PTS scale. Still, I predict the PTS and FH measures to behave similarly. I expect both measures to have strong, positive effects on my dependent variable AID.

Ores and Metals as a Percentage of Total Exports (ORES/MTLS): Independent Variable

As an independent variable and indicator of the natural resource wealth of a country, I employ data on trade in ores, metals, minerals, precious stones, and non-monetary gold using the World Bank online databank. I code this variable ORES/MTLS. The data are computed so that each case (country/year) represents the percentage of total annual exports that are exports in SITC sections 27, 28, and 68 (which include crude fertilizers and minerals, metalliferous ores and metal scrap, and non-ferrous metals). I chose this variable as an indicator of natural resource wealth for two reasons: (1) Christine Parthemore (2011) contends that the desire for access to rare minerals is a driving force in U.S. foreign policy, and (2) natural resource data including the range of years and countries I was looking for were extremely difficult to locate (Parthemore, pp.10). This variable was one of the best indicators for natural resource wealth available.

I predict that ORES/MTLS will have a strong, positive effect on AID: as ORES/MTLS increases, AID increases (see Figure 1).

Energy Production (ENGYPRD): Independent Variable

I include data on primary energy production from the United States Energy Information Administration as another independent variable and indicator of natural resource wealth. I code this variable ENGYPRD. ENGYPRD measures total primary energy production (petroleum, natural gas, coal, electricity, and renewable energy sources) in “quadrillion Btu” (British thermal unit of energy). I chose ENGYPRD as an indicator of natural resource wealth because I felt it encompassed a relatively wide range of resources for one variable.

I expect that, like ORES/MTLS, ENGYPRD will have a positive, strong effect on

AID: as ENGYPRD increases, AID increases (see Figure 1).

Gross Domestic Product (GDP): Independent Variable

I include information on gross domestic product per capita from the World Bank as another independent variable and indicator of economic need. I code this variable GDP, the units of which are measured in millions of U.S. dollars. It is important that I include a variable measuring the economic need of a country because need is one of the alleged determinants of U.S. foreign assistance allocation.

I predict that GDP will have a strong, negative effect on AID: as GDP increases, AID decreases (see Figure 1). The logic of this argument is simple—the richer a country is, the less U.S. foreign assistance they receive.

Total Population (POP): Independent Variable

Because the size of a country most likely impacts the amount of U.S. foreign assistance it receives, I include an independent variable measuring total annual population per country. The data come from the World Bank and is coded POP.

I predict that POP will have a moderate, positive effect on AID: as a general rule, as POP increases, AID increases (see Figure 1).

Exports (EXPORTS): Independent Variable

As another independent variable and an indicator of a country’s strategic value to the U.S., I employ international trade data on U.S. exports from the International Monetary Fund (1980-1989) and the United States International Trade Commission (1989-2009). I code this variable EXPORTS. EXPORTS captures the total annual exports between the U.S. and a recipient country. I chose this as an indicator of strategic value because it measures the economic and trade importance of a given country, something that I predict drives U.S. foreign policy goals. I computed EXPORTS so that data from both sources were in U.S. millions of dollars.

I predict that EXPORTS will have a strong, positive effect on AID: as EXPORTS increases, AID increases (see Figure 1).

U.S. Military Global Manpower Distribution (MILDIS): Independent Variable

I use data obtained from U.S. Defense Department (DoD) reports on worldwide military manpower distribution as an independent variable and indicator of a country’s strategic value to the United States. For years 1980-2005, I employ data from a DoD report entitled *Worldwide Manpower Distribution by Geographical Area*, and for years 2006-2009 I use a report called *Military Personnel Statistics*. I code this variable MILDIS. This variable measures the number of U.S. military personnel stationed in a given country for a given year. I believe MILDIS is a good indicator of a country’s strategic value because if U.S. soldiers are stationed in a country, chances are the United States believes it is maintaining interests in that country.

I hypothesize that MILDIS will have a strong, positive effect on AID: as MILDIS increases, AID increases (see Figure 1).

Latin America and the Caribbean (LATCAR): Control/'Dummy' Variable

To determine whether or not Latin American and Caribbean countries are driving the results of my relationship, I include a 'dummy' variable, LATCAR. I code countries '0' if they are not located in Latin America or the Caribbean and '1' if they are. For example, Apodaca and Stohl (1999) showed that Latin American and Caribbean countries received aid regardless of their human rights records (Apodaca & Stohl, pp. 196). I therefore predict that countries in Latin America or the Caribbean will receive more aid than other countries, regardless of their need of human rights record (see Figure 1).

Israel and Egypt (ISRL/EGYPT): Control/'Dummy' Variable

Because the United States gives (and historically has given) Israel and Egypt more aid than other countries, I include a 'dummy' variable, ISRL/EGYPT. I code Israel and Egypt '1', and all other countries '0'. I include ISRL/EGYPT for two reasons: (1) the Camp David Accords solidified Israel and Egypt as key strategic partners in the Middle East, and (2) while conducting preliminary data analysis, Israel and Egypt were outliers (Ambrose, pp. 291-292). In addition, prior studies have included an Israel and Egypt 'dummy' variable (Qian and Yanagizawa, 2003; Apodaca and Stohl, 1999). I predict that, after adjusting for need and human rights, Israel and Egypt will receive more assistance than other nations (see Figure 1).

Iraq (IRAQ) and Afghanistan (AFGHAN): Control/'Dummy' Variables

The United States has been at war in Iraq since 2003. As such, I believe that the relationship between the United States and Iraq—and whatever effect they have on my results—are outside the scope of my research. I create a 'dummy' variable for Iraq (IRAQ), coding Iraq as '1' and all other countries as '0'. I include a 'dummy' variable for Afghanistan (AFGHAN) for the same reasons. A further justification for including IRAQ and AFGHAN is that, when conducting preliminary data analysis, Iraq and Afghanistan were both outliers. I include these variables to ensure that my results are not dependent on the relationship between the U.S. and Iraq and Afghanistan. I predict that both Iraq (2003 onward) and Afghanistan (2001 onward) receive a disproportionately large share of U.S. foreign assistance relative to other countries (see Figure 1).

Results and Analysis

To test my hypotheses and determine the effects my independent variables had on U.S. 'official development assistance' (AID), I ran bi-variate correlation analysis and regression tests for the four models comprising my study.

Model 1: Regression Analysis and Beta Coefficients

Model 1 seeks to test Hypothesis 2: the U.S. will allocate more assistance to countries rich in natural resources. Model 1 employs the Political Terror Scale measure of human rights practices. Overall, Model 1 lends minimal support to Hypothesis 2 and substantially discredits the suppositions of Hypothesis 1, the null hypothesis, that the U.S. will only consider the economic need and human rights record of a state when allocating foreign assistance. Figure 4, located on the following page, shows a summary and explanation of beta coefficients for each variable included in the regression test for Model 1.

Based on the results of Model 1, it appears that ENGYPRD, ISRL/EGYPT, IRAQ, and AFGHAN all correlate to the greatest shifts in U.S. foreign aid allocation. ENGYPRD was significant and had a beta coefficient of .100, indicating a relatively strong, positive relationship. For every one standard deviation shift in ENGYPRD, AID increases by .10. This lends support to Hypothesis 2: the U.S. gives more aid to countries that produce a lot of energy (indicative of natural resource wealth). Although this lends support to Hypothesis 2, by no means does it 'prove' it—the relationship is a lot weaker than predicted. Despite their high (or relatively high) beta coefficients and statistical significance, ISRL/EGYPT (.679), IRAQ (.386), and AFGHAN (.107) are control variables. The relationship between these variables and AID is not the subject of my research. Model #1 has an adjusted R-square of .635; therefore, my model explains 63.5 percent (roughly two-thirds) of the variation in U.S. foreign assistance allocation. This is a high number and indicates that my model is representing the intended relationship.

Two things should be noted about Model 1. First, Model 1 significantly discredits Hypothesis 1 because, even after controlling for need and human rights, the U.S. was still shown to give slightly more aid to human rights violators. PTS had a beta coefficient of .046 and was significant: for every one standard deviation shift in PTS, AID increased by .046. While this is not indicative of a strong relationship and is much weaker than what I expected, a beta coefficient of .046 shows that factors exist that do mitigate the importance of human rights in foreign aid allocation (Model 1 just doesn't show what factors). Another item of note regarding Model 1 is that one variable had no impact whatsoever on U.S. foreign assistance allocation—MILDIS. This is particularly surprising because in my bi-variate correlation analysis, MILDIS appeared to be correlated with AID. This finding runs contrary to my expectations.

Figure 2: Model 1 Regression Analysis and Beta Coefficients

VARIABLE	BETA COEFFICIENT	SIGNIFICANCE	EXPLANATION	SAME AS PREDICTED?
PTS	.046	.000**	For every one standard deviation shift in PTS, AID increases by .046.	Yes
ORES/MTLS	.024	.009*	For every one standard deviation shift in ORES/MTLS, AID increases by .024.	Yes
ENGYPRD	.100	.000**	For every one standard deviation shift in ENGYPRD, AID increases by .10.	Yes
GDP	-.057	.000**	For every one standard deviation shift in GDP, AID decreases by .057.	Yes
POP	-.049	.000**	For every one standard deviation shift in POP, AID decreases by .049.	No
EXPORTS	-.030	.003*	For every one standard deviation shift in EXPORTS, AID decreases by .03.	No
MILDIS	-.008	.504	No relationship	No
LATCAR	.019	.043*	For every one standard deviation shift in LATCAR, AID increases by .019.	Yes
ISRL/EGYPT	.679	.000**	For every one standard deviation shift in ISRL/EGYPT, AID increases by .679.	Yes

VARIABLE	BETA COEFFICIENT	SIGNIFICANCE	EXPLANATION	SAME AS PREDICTED?
IRAQ	.386	.000**	For every one standard deviation shift in IRAQ, AID increases by .386.	Yes
AFGHAN	.107	.000**	For every one standard deviation shift in AFGHAN, AID increases by .107.	Yes

**relationship is significant at the .001 level

*relationship is significant at the .05 level

Model 2: Regression Analysis and Beta Coefficients

Like Model 1, Model 2 seeks to test my hypothesis that the U.S. will give more 'official development assistance' to countries rich in natural resources, but employs the Freedom House (FH) measure of human rights practices instead of the PTS measure. The purpose of Model 2 is to check the robustness of the results of Model 1. If Model 1 and Model 2 conclude with the same findings despite different parameters, then my results are probably indicative of a real-world relationship. Overall, Model 2 lends minimal support to Hypothesis 2 and lends some evidence contrary to Hypothesis 1. Figure 5 (below) provides a summary and explanation of regression results and beta coefficients for Model 2.

Figure 3: Model 2 Regression Analysis and Beta Coefficients

VARIABLE	BETA COEFFICIENT	SIGNIFICANCE	EXPLANATION	SAME AS PREDICTED?
FH	-.021	.053	No relationship.	No
ORES/MTLS	.025	.006*	For every one standard deviation shift in ORES/MTLS, AID increases by .025.	Yes
ENGYPRD	.098	.000**	For every one standard deviation shift in ENGYPRD, AID increases by .098.	Yes

VARIABLE	BETA COEFFICIENT	SIGNIFICANCE	EXPLANATION	SAME AS PREDICTED?
GDP	-.083	.000**	For every one standard deviation shift in GDP, AID decreases by .083.	Yes
POP	-.037	.001**	For every one standard deviation shift in POP, AID decreases by .037.	No
EXPORTS	-.029	.004*	For every one standard deviation shift in EXPORTS, AID decreases by .029.	No
MILDIS	-.011	.347	No relationship.	No
LATCAR	.014	.153	No relationship.	No
ISRL/EGYPT	.683	.000**	For every one standard deviation shift in ISRL/EGYPT, AID increases by .683.	Yes
IRAQ	.392	.000**	For every one standard deviation shift in IRAQ, AID increases by .392.	Yes
AFGHAN	.111	.000**	For every one standard deviation shift in AFGHAN, AID increases by .111.	Yes

**relationship is significant at the .001 level

*relationship is significant at the .05 level

Based on the results of Model 2, ENGYPRD, ISRL/EGYPT, IRAQ, and AFGHAN correlate to the greatest shifts in U.S. foreign assistance allocation. ENGYPRD is significant and has a beta coefficient of .098; for every one standard deviation shift in ENGYPRD, AID increases by .098. This lends minimal support to Hypothesis 2, which would evidence the claim that the U.S. give mores foreign assistance to resource-rich nations. Again, the relationship is much weaker than expected but behaves very similarly to that of Model 1, indicating that the relationship is robust.

I do not focus on the significant results and high beta coefficients of ISRL/EGYPT (.683), IRAQ (.392), and AFGHAN (.111) because these are control variables and are not emphasized in my research. Model 2 has an adjusted R-square of .632: my model explains 63.2 percent of the variation in U.S. foreign assistance allocation, which is approximately the same value found in Model 1. I conclude that, based on my R-square value, Model 2 explains a substantial proportion of American foreign aid allocation.

A noteworthy result of Model 2 is that for the two variables MILDIS and LATCAR no relationship with AID was found. The results were not statistically significant. I expected both MILDIS and LATCAR to have strong, positive effects on AID, but instead there was no effect at all. Apodaca and Stohl (1999) found both variables to be significant and have positive effects of U.S. foreign assistance allocation (Apodaca & Stohl, pp.196). Therefore, the results of Model 2 are quite surprising. Another thing to note about Model 2 is that the beta coefficient and significance of FH varies greatly from that of PTS. This shows that my models are not robust and my results are model-dependent. In Model 2, FH yields a beta coefficient of -.021 (PTS in Model 1 yields a .046) and a p-value of .053 (PTS in Model 1 yields a .000). Because FH is not significant (p-value >.05), there is no relationship between the human rights record of a country and U.S. foreign assistance allocation. In summary, Model 2 lends minimal support to Hypothesis 2—the U.S. gives more aid to resource-rich nations—and slightly delegitimizes the premise of Hypothesis 1—that the U.S. only considers the economic need and human rights record of a country when allocating ‘official development assistance.’

Model 3: Regression Analysis and Beta Coefficients

Model 3 empirically tests the authenticity of the claim of Hypothesis 3, that the U.S. allocates more foreign assistance to countries that are strategically valuable. Model 3 is identical to Model 1 in that it uses the PTS human rights measure but it does not include the LATCAR or the ISRL/EGYPT ‘dummy’ variables. I chose not to include LATCAR and ISRL/EGYPT in this model because Model 3 tests the importance of *strategic* assets in U.S. human rights policy and I therefore do not want to exclude cases that demonstrate that relationship. I predict that the U.S. allocates more foreign aid to Latin American and Caribbean countries and Israel and Egypt because they are strategically valuable and are key allies and client-states of the U.S. Therefore, I do not want to exclude them from the model testing the importance of strategic assets in American policy. Model 3 severely undermines the rationale behind Hypothesis 1, but does not lend any support to the claim that U.S. human rights policy is more lenient toward countries high in strategic value. Figure 4 summarizes the regression results and beta coefficients.

Figure 4: Model 3 Regression Analysis and Beta Coefficients

VARIABLE	BETA COEFFICIENT	SIGNIFICANCE	EXPLANATION	SAME AS PREDICTED?
PTS	.128	.000**	For every one standard deviation shift in PTS, AID increases by .128.	Yes
ORES/MTLS	.010	.471	No relationship.	No
ENGYPRD	.076	.000**	For every one standard deviation shift in ENGYPRD, AID increases by .076.	Yes
GDP	-.013	.403	No relationship.	No
POP	-.049	.004*	For every one standard deviation shift in POP, AID decreases by .049.	No
EXPORTS	-.019	.203	No relationship.	No
MILDIS	-.019	.258	No relationship.	No
IRAQ	.384	.000**	For every one standard deviation shift in IRAQ, AID increases by .384.	Yes
AFGHAN	.098	.000**	No relationship.	No

**relationship is significant at the .001 level

*relationship is significant at the .05 level

Based on the results of Model 3, PTS, ENGYPRD, IRAQ, and AFGHAN correlated with the greatest shifts in U.S. foreign assistance allocation. PTS is significant and has a beta coefficient of .128, a *relatively* strong, positive relationship, though I expected a much stronger relationship. One standard deviation increase in PTS correlates with a .128 increase in AID. This is particularly noteworthy because a PTS beta coefficient of .128 supports findings in Model 1, which also exhibits a positive relationship between PTS and AID. Hypothesis 1 is discredited because a positive PTS beta coefficient implies that the U.S. does not only consider the economic need and human rights record of a country when allocating foreign assistance. ENGYPRD is also significant in Model 3 with a beta coefficient of .076 (a weak positive relationship). For every one standard deviation shift in ENGYPRD, AID increases by .076. I expected the U.S. to give much more foreign assistance

to countries that produce a lot of energy, but this finding still minimally supports Hypothesis 2 and contradicts my 'null' hypothesis, Hypothesis 1.

A few things should be highlighted concerning Model 3. Four variables, ORES/MTLS, GDP, EXPORTS, and MILDIS, did not display any relationship with AID; they were not statistically significant. This is unexpected because Model 3 tests my prediction that the U.S. will allocate more aid to strategically valuable countries, but the two indicators of strategic value are not significant. Nothing supports Hypothesis 3 in this model. The adjusted R-square of Model 3 is only .181. That means that Model 3 is only explaining 18 percent of the variation in U.S. foreign assistance allocation; therefore, 82 percent of the variation in U.S. foreign assistance allocation is explained by factors that I did not include in my model. This is troubling and shows that my indicators of strategic value did not measure that which I intended.

Model 4: Regression Analysis and Beta Coefficients

Model 4 also seeks to test Hypothesis 3—the U.S. will allocate more aid to countries high in strategic value. Model 4 is identical to Model 3 but uses the Freedom House measure of human rights instead of the PTS measure. Model 4 seeks to test the robustness of the findings of Model 3. For the same reasons as Model 3, that it is testing the strategic value hypothesis, therefore should not exclude Latin American/Caribbean countries or Israel/Egypt, LATCAR and ISRL/EGYPT are not included in Model 4. In general, Model 4 lends minimal support to Hypothesis 1 and Hypothesis 2, but fails to show the importance of strategic assets in American 'official development assistance' allocation. Figure 5 shows a summary of regression results and beta coefficients for Model 4.

Figure 5: Model 4 Regression Analysis and Beta Coefficients

VARIABLE	BETA COEFFICIENT	SIGNIFICANCE	EXPLANATION	SAME AS PREDICTED?
FH	-.024	.125	No relationship.	No
ORES/MTLS	.013	.331	No relationship.	No
ENGYPRD	.082	.000**	For every one standard deviation shift in ENGYPRD, AID increases by .082.	Yes
GDP	-.070	.000**	For every one standard deviation shift in GDP, AID decreases by .070.	Yes
POP	-.026	.118	No relationship.	No
EXPORTS	-.022	.148	No relationship.	No

VARIABLE	BETA COEFFICIENT	SIGNIFICANCE	EXPLANATION	SAME AS PREDICTED?
MILDIS	-.025	.134	No relationship.	No
IRAQ	.398	.000**	For every one standard deviation shift in IRAQ, AID increases by .398.	Yes
AFGHAN	.108	.000**	For every one standard deviation shift in AFGHAN, AID increases by .108.	Yes

**relationship is significant at the .001 level

Based on the results of Model #4, ENGYPRD, GDP, IRAQ, and AFGHAN all correlate with the greatest shifts in U.S. foreign assistance allocation. GDP, which taken here as an indicator of the economic need of a country, yields a beta coefficient of .082 and is statistically significant. A beta coefficient of .082 demonstrates a weak but positive relationship; for every one standard deviation increase in ENGYPRD, AID increases by .082. Hypothesis 2 is nominally supported. GDP is also statistically significant with a beta coefficient of -.070: for every one standard deviation shift in GDP, AID decreases by a .07. This indicates that the U.S. factors in the economic need of a country, albeit to a moderate degree. This relationship aligns with my predictions but is slightly weaker than what I was expecting. The significant and large beta coefficients of IRAQ (.398) and AFGHAN (.108) are ignored for the same reasons as discussed before—these variables are control variables and not the subject of my research.

Regarding Model 4, three things should be mentioned. First, for five variables, FH, ORES/MTLS, POP, EXPORTS, and MILDIS, there is no demonstrated relationship with AID. These variables are not statistically significant. Model 4 yields two more insignificant variables than Model 3. Therefore, Model 4 is a weaker model than Model 3 and gives no evidence to support Hypothesis 3, that U.S. human rights policy is more lenient toward countries high in strategic value. The second thing to note about Model 4 is that the beta coefficient and significance for FH is markedly different than that of PTS is Model 3. This shows that my results in Model 3 are model-dependent and my design is not robust. Hypothesis 1 is slightly discredited because an insignificant FH measure indicates that there is no relationship between the human rights record of a State and how much U.S. foreign aid they receive. The third noteworthy finding of Model 4 is that the adjusted R-square score of .168 indicates that my model is only explaining 16.8 percent of the variation in U.S. foreign assistance allocation. This shows that there are other possible factors explaining the relationship between my independent/control variables and my dependent variable

AID. Overall, Model 4 lends minimal support to Hypothesis 2, slightly discredits Hypothesis 1 (the 'null' hypothesis), and tells me that my models are not robust.

Conclusions

Based on the results, I have formulated two general conclusions pertaining to my research study. First, the U.S. appears to give slightly more aid to countries that produce large quantities of energy. In three of the models (Model 1, Model 2, and Model 4), ENGYPRD had the largest beta coefficient of any independent variable. In Model 3, ENGYPRD had the second largest beta coefficient. I conclude that ENGYPRD accounts for the greatest shift in U.S. foreign assistance allocation (AID), after my control variables. My study implies that the United States allocates more 'official development assistance' to countries that are rich in energy resources, such as petroleum and natural gas.

Second, the human rights record of a state—at least that encompassed by the Political Terror Scale (PTS)—does not appear to be a determining factor of U.S. foreign assistance allocation. In Model 1 and Model 3, PTS has a weak, albeit positive beta coefficient; .046 and .128, respectively. Even after controlling for other factors (population size, economic need and wealth, natural resource abundance, and the presence of strategic assets and military personnel etc.), the human rights record of a state, as represented by the PTS variable, does not impact how much U.S. aid a country receives. It is shown that the U.S. gives slightly more aid to countries that abuse human rights. This finding has implications for Hypothesis 1 ('null' hypothesis): that U.S. only considers the economic need and human rights record of a state when allocating foreign aid. My models indicate that U.S. foreign assistance policy favors some countries over others. Factors other than economic need and human rights are driving U.S. foreign assistance allocation.

Further Research

In future research in the discipline of human rights and foreign aid, I would like to look at the issue of "most favored nation status." "Most favored nation status" is a term used to describe preferential treatment of one nation (or group of nations) as an aspect of another nation's foreign policy. I believe my findings lead in to further research on the role of Israel, Egypt, Iraq, and Afghanistan as "most favored nations" in U.S. human rights policy. All four nations received a disproportionate share of U.S. foreign assistance, even after adjusting for need and human rights record. What is particularly interesting is that all four of these supposedly "most favored nations" are located in the same geographical region, the Middle East. I predict that the U.S. allocates significantly more aid to countries in the Middle East that are rich in energy resources.

In addition, I would like to conduct further research on the role of natural resources in U.S. foreign assistance allocation. Almost no literature exists on the

specific role of natural resources in shaping a country's foreign aid policy and my study, while hinting at a relationship, remained fairly inconclusive. My research concluded that there were factors mitigating the importance of human rights in foreign assistance allocation, but did not specify what these factors were. Further research could more intimately examine the importance of natural resources in U.S. foreign policy by including variables for individual resources, such as oil and natural gas, to determine their specific role in shaping policy or an indicator that measures the effect of resource depletion on American policy practice. I predict that, as natural resources become more scarce, the relationship between natural resources and U.S. foreign assistance allocation will become stronger.

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Secession, Statehood, and Recognition: Normative Bases for International Law

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Abstract

The paper argues that state recognition as is currently practiced is a barrier to the attainment of international peace and justice. The cases of South Sudan and Palestine, when compared, demonstrate that recognition is subject to strategic manipulation by powerful states, creating well-founded frustration and instability. In the absence of a comprehensive normative theory of recognition, this paper uses a justice-based theory of secession as a springboard to devise a system of recognition that is responsive to widely accepted normative principles. The result is an institutionalized system of recognition that confers statehood status to entities that are likely to uphold international standards of peace and justice in the exercise of their rights, powers and duties as members of the community of nations.

STATE RECOGNITION IS ONE of the oldest practices in international relations, and one of the most vexed concepts in international law. Since the Middle Ages, political communities have interacted with each other as sovereign territorial states under an accepted system of rules (Brierly 1955, 2-7). Determining which entities are to be recognized as states subject to these rules has hence been a basic component of international relations. As such, it is one of the most commonly discussed topics in the international law literature.

With the recent secession of South Sudan and the even more recent resurgence of the Palestinian statehood controversy, the long-running discussion of state recognition is once again a pressing concern of foreign offices and topic of interest for international lawyers and political theorists. This paper will evaluate the current practice of state recognition from a largely normative standpoint, and will offer a proposal for reforming the system accordingly.

Section I introduces and compares the two case studies that motivate this discussion, South Sudan and Palestine. A brief commentary on the contradictions that

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surface from this comparison follows. Section II examines the current practice of state recognition. After exposing the current system's inadequacies, I argue for the establishment of a rule-governed, institutionalized practice of recognition designed to further the goals of the international legal system, namely international peace, stability and justice. Section III extrapolates a set of normative criteria from theories of legitimate secession to provide a foundation for an institutional model of state recognition. Since secession is the most common way of establishing new states, the expectation is that a sound theory of secession will inform a normative-based international legal practice of state recognition (Douglas 1994, 2). To this end, I outline three mainstream theories of secession and then endorse the Alan Patten hybrid approach, which grounds a moral right to secede on a state's failure to respect basic human rights or to recognize the right of relevant sub-state cultural groups to exercise local self-determination. Section IV offers a proposal for incorporating these criteria for legitimate secession into an institutionalized system for collective state recognition. Finally, Section V revisits the cases of Sudan and Palestine, commenting on how this proposed model for recognition would settle each country's bid for independence.

Two Case Studies

A) South Sudan

On July 9, 2011, South Sudan became the world's newest state. Since the time of British colonialism, spanning from the late 19th century to the mid 20th century, the various ethnic groups that populated the country of Sudan enjoyed vastly unequal access to political power and economic resources. Notably, the British had established two separate administrations, a progressive and commercial one in the north and a rudimentary and rather dysfunctional one in the South (Grawert 2008, 37-8). The north's monopoly over the country's wealth persisted, and was indeed exacerbated, after Sudan's declaration of independence from Britain in 1956 (Grawert 2008, 40). Emboldened by their superior economic status, the 'Arabs'¹ in Khartoum sought to consolidate their ascendancy by imposing their Islamic culture and legal traditions on non-Arab and non-Muslim populations in the peripheral regions of the country.

Southern Sudan, largely possessing a distinctive non-Arab culture, mobilized an armed resistance, the Sudan People's Liberation Army (SPLA), against the 'Arab Center's' marginalization. This grass-roots militia and civilian-based movement fought for a unified, discrimination-free Sudan in a civil war that lasted 17 years, until the signing of the Addis Ababa agreement in 1972 granting limited autonomy to the south (Collins 2010, 110-11). After 10 years of relative peace, Islamist fundamentalism resurged in the north under the Nimeiri military dictatorship, and the

1 See Francis Deng's note about ethnic identification in Sudan, *Sudan at the Brink*, 7-9. See also Collins, 8-9.

central government's persistent violation of the autonomy agreement reached at Addis Ababa reignited the civil war. This time, however, the south did not demand an end to discrimination but, instead, fought for complete independence. The second civil war lasted until 2005, culminating in the Comprehensive Peace Agreement (CPA), which re-established the south's autonomy until a referendum on independence could be held 11 years later. In January 2011, southern Sudan voted with a 99% majority to secede from the north, resulting in the definitive partitioning of country effective on July 9th of that same year, and the admission of South Sudan into the United Nations three days later.

B) Palestine

The Palestinian-Israeli conflict over the possession of Gaza, the West Bank and Jerusalem is well known and will not be recounted here in detail.² However, the recent crescendo of calls for international recognition of a Palestinian state, and the bleak prospects for the realization of such hopes, renders this a salient case for comparison with South Sudan ("The Palestinian Authority" 2011). Some commentators are sympathetic to the Palestinians' surge of impatience and decision to bring their statehood bid directly to the United Nations (Haas 2011), given the stalemate in negotiations with Israel and the continued expansion of Israeli settlements since the 1993 Oslo Peace Accords (Hartley 2004, 195). Meanwhile, supporters of the anti-statehood stance advanced by Israel and the US claim that the Oslo Accords, signed by Palestine, clearly define direct bilateral talks as the only legitimate path toward Palestinian statehood. As a permanent member of the Security Council, the US has thus vowed to veto any Palestinian bid for recognition at the UN.³ Despite the overwhelmingly unfavorable chances of formal recognition by the Security Council, a vote in UNESCO yielded 107 states in favor of Palestinian membership, with only 14 states opposed.

Comparing the international community's prompt acceptance of South Sudan into the UN to the heated controversies surrounding Palestine's bid for statehood raises interesting questions. On the one hand, South Sudan is a region plagued with extreme infrastructural and economic underdevelopment, an unstable government, inadequate service delivery, an illiteracy rate of 48%, and exorbitant levels of child

2 For comprehensive books written on this subject, see Strawson, John. *Partitioning Palestine: Legal Fundamentalism in the Palestinian-Israeli Conflict*. New York: Pluto, 2010; Bennis, Phyllis. *Understanding the Palestinian-Israeli conflict: A Primer*. Northampton, Mass.: Olive Branch Press, 2007; Roy, Sara M. *Failing Peace: Gaza and the Palestinian-Israeli Conflict*. Ann Arbor, MI: Pluto, 2007.

3 "Admission to the United Nations as a full member state requires a recommendation from the 15-member Security Council, with a majority of nine votes and no veto from the five permanent members. Then the submission goes to the General Assembly, which must pass it by a two-thirds vote among the 193 members" ("The Palestinian Authority").

malnutrition and infant mortality (Allen 2011). More than half of the population lives below the poverty line and violent strife among the various tribal groups, especially the dominant Dinka, Nuer and Shilluk, is pervasive ("Sudan" 2011). Indeed, far from securing peace, secession has intensified the animosities among South Sudan's many ethnic populations and has thus increased instability within the region. Needless to say, the country lacks a tradition of democratic rule and avenues for political contestation are quite weak ("Politics" 2011).

On the other hand, international organizations such as the UN, UNESCO, the World Bank and the IMF have issued reports praising the recent strengthening of Palestinian institutions, noting that "in six areas where the UN is most engaged [governance, rule of law and human rights; livelihoods and productive sectors; education and culture; health; social protection; and infrastructure and water] governmental functions are now sufficient for a functioning government of a state" (UN report 2011).

In light of these assessments, it is natural to ask why South Sudan can be recognized as a state while Palestine cannot. Admittedly, South Sudan seceded from North Sudan with the latter's consent (after nearly four decades of civil war), whereas Palestine has not reached such an agreement with Israel. This difference is far from trivial, and it raises the question of when an entity's claim to independence and efforts to form its own state should be recognized as legitimate. The next section describes, in general terms, the current practice of state recognition and discusses some of its inadequacies.

Current Practice of Recognition

Recognition of statehood grants an entity international legal personality and binds it to comport itself according to the rules established by international law in its relations with other states and peoples. At the same time, it makes the entity eligible to enter into treaties and alliances with other states, as well as to participate in the development and enforcement of international law. Most importantly, recognition is an affirmation of an entity's right to territorial sovereignty and integrity, and its right to exercise coercive jurisdiction within this territory (Brierly 1955).

The rights and powers attached to statehood make it desirable for political entities to attain such a status. At the same time, the expectation that each new state will abide by the rules of international law makes it desirable to include as many qualified political entities as possible, insofar as this will further the goals of peace and stability.

The Montevideo Convention of 1933 was a preliminary attempt to codify specific descriptive criteria for statehood: (1) a permanent population, (2) a defined territory, (3) a functioning government able to control the territory in question, and (4) the capacity to enter into relations with other states on its own account (Brierly 1955,

264). Together, these four requirements defined a state, and presumably any entity aspiring to independent statehood that met these criteria would automatically be regarded as a state under international law. This 'declaratory approach' is objective in the sense that whether or not an entity is considered a state depends on the empirical characteristics possessed by that entity. Furthermore, it is retrospective in that the international community is not actually granting the entity this status, but merely acknowledging what is already a fact (Chen 1951, 133).

Most scholars agree, however, that the present practice of recognition is not declaratory but constitutive (Menon 1994, 61). According to the 'constitutive approach,' an entity is considered a state to the extent that other states recognize it as such, since a new state cannot exercise rights and obligations against states that do not recognize it (Oppenheim 1928, 144). In general, the present practice of recognition follows the constitutive approach. Consider the case of Palestine. Applying the Montevideo criteria for statehood, it becomes clear that Palestine should be considered a state, as it has a permanent population concentrated in a defined territory, a functioning representative authority (the PLO), and has already entered into various agreements with other foreign entities. However, as was already noted, its statehood bid is bound to be frustrated unless Israel and the United States choose to alter their policy of non-recognition. Regardless of whether or not the United States and Israel are right in denying recognition, it is clear that recognition in this case is a matter of policy discretion from the part of states on both sides of the controversy. As this example shows, the practice of recognition is often an opportunity for powerful states to express their approval or disapproval of a political entity, and thus recognition ends up being a highly selective and strategic policy decision.

The debate between lawyers that regard recognition as a declaratory versus constitutive act is an old one, and the thorny legal support for each view will not be rehearsed here.⁴ There will be little further discussion of how recognition is in fact practiced, and instead the focus will be on asking how recognition *ought* to be practiced.

The Need for a Rule-Governed Collective Practice of Recognition

Neither the declaratory nor the constitutive theory of recognition is entirely satisfactory. On the one hand, the constitutive theory lends itself to strategic manipulation by powerful states that have a vested interest in recognizing or not recognizing a political entity. Furthermore, there are logical and practical difficulties in asserting that an entity is a state according to some members of the international community (i.e. those who confer recognition) and not a state according to the rest. In this case, the entity would be subject to international law according to some states but would exist in a legal vacuum according to others. These inadequacies of the constitutive

⁴ For a thorough legal analysis, see Lauterpacht, H. *Recognition in International Law*.

approach signal a need to establish an objective and impartial procedure for state recognition.

On the other hand, the criteria established under the declaratory approach are too weak. Given that the new state is to be granted full sovereignty and international protection of its territorial integrity, the international community has reason not to welcome into the community of states entities that practice injustice, internally or externally. A state that repeatedly engages in aggressive war against other states or systematically commits human rights violations against other peoples should not be granted the sovereignty rights and legal powers that come with being a member of the international community, because these acts are antithetical to the core principles of the international legal system.⁵ Likewise, by conferring statehood status to entities that employ their coercive powers internally to oppress their populations, the international community would in effect be acting as an accomplice in injustice (Buchanan 1999, 58). In both cases, the international community would be undermining the commitments to peace and justice that underlie the bulk of international law, and therefore recognition does not make sense in these instances.

It is worthwhile to also mention a third approach to recognition proposed by Chris Naticchia. Naticchia advances a 'pragmatic' approach whereby the international community extends recognition only if such an act is expected to further peace and stability in the long run (Naticchia 2000). This approach is act-consequentialist in the sense that the only consideration it regards as relevant in the decision of whether or not to grant recognition is the maximization of overall peace and stability. In this calculation, the extent to which the entity in question conforms to international standards of justice is a relevant factor only insofar as this behavior tends to further long-term peace and stability.

As Buchanan correctly points out in his rejoinder to Naticchia, a rule-consequentialist approach whereby substantive rules are established is more likely to lead to peace and stability in the long-run than a case-by-case approach, which is not only prone to erroneous calculations but also bound to be politicized (Buchanan 1999, 262-3). Moreover, peace and stability cannot be pursued at any cost. Just like considerations of overall human welfare cannot trump individual rights in the

⁵ Admittedly, many states, recognized as such today, have historically engaged in practices of aggression and human rights violations. Among them are North Korea, Iran, China, and even the United States and many European countries. However, if these political entities were currently seeking statehood status, these considerations would count against their bid. Although it would not be advisable to revoke their statehood in light of these later actions, strong sanctions should be imposed against these states as a way to make them compensate for their injustices. An entity that is relatively young and already has a poor record of adhering to standards of justice, however, should *prima facie* not be recognized.

domestic sphere, considerations of peace and stability cannot override the commitment to securing the basic rights and freedoms of a population.

Thus, what is really needed is a normative, institutionalized practice of recognition. In this system, prospective states would be subjected to specific justice-based assessments and projections, the results of which would determine whether or not the entity in question ought to be collectively recognized. In order to provide some content to such justice-based criteria, the proposal will rely on a plausible and robust theory of secession. The analysis will begin with an outline of three mainstream accounts of legitimate secession: the nationalist theory, the plebiscitary theory, and the remedial-right-only theory. Then, an interpretation of Patten's hybrid version of legitimate secession will be advanced, which fine-tunes a rather significant ambiguity in his theory.

Three Theories of Secession

A) The Nationalist (Ascriptivist) Theory

Some secession theorists ground a group's right to secede on the presence of a unifying set of characteristics that render the group culturally distinct. Margalit and Raz argue that culture is an integral element in individual identity. Given the profound importance for individuals of exercising this identity in their everyday lives without interference, groups that share such "encompassing" cultures should be allowed to enjoy self-government (Margalit and Raz 1990, 439-61). Walzer advances a similar argument, upholding the individual right to communal integrity, understood as the right of persons "to live as members of a historic community and to express their inherited culture through political forms worked out among themselves" (Walzer 1980, 211).

One practical objection to the nationalist theory is that there is no such thing as a homogenous nation-state in existence. All states today, even those that have a dominant religion or ethnic group, have minority cultural groups living within the territory. Even if it were possible to isolate a piece of land where all the inhabitants, without exception, shared the same culture, this homogeneity would not necessarily last longer than the lifetime of the current inhabitants, since it is always possible for future generations to abandon tradition and identify with a new culture. In practice, this would entail constantly altering borders, as different cultural groups concentrate in slightly different territories.

Furthermore, such states would be rather small, since it would be difficult to find large, culturally homogenous regions without having to displace the minorities residing there (which would certainly not be a permissible expedient). Smaller nations tend to be less economically self-sufficient and thus more economically and militarily vulnerable (Buchanan 2004, 386). Instead of seeking to construct homogenous nation-states, cultural groups might be better preserved by accom-

modating them in intra-state autonomy schemes (Hannum 1990).

B) Plebiscitary (Democratic) Theory

Proponents of the plebiscitary theory of secession argue that a people may democratically exercise their right to self-determination by voting to secede from the state they are currently a part of. According to this view, a state's coercive authority can be legitimized only by the people's consent, so that when a majority of the citizens wish to repudiate this authority they should be free to secede, as long as peace and stability are maintained and the protection of standard liberal rights ensured (Wellman 1995, 142-71).

Patten raises a compelling objection to the plebiscitary theory based on the principle of democracy itself. In essence, Patten argues that holding the plebiscite in the secessionist region amounts to an arbitrary choice to exclude the rest of the population in the state to vote on its preference for partition or unity. Indeed, depending on how the boundaries are drawn and the relevant unit of decision-making defined, the majority's choice might be very different (Patten 2002, 575-80).

Even if one were to incorporate a nationalistic element and claim that the relevant constituency for settling secession controversies must be a defined cultural group, it is unlikely that the vote would ever be unanimous. Some people residing within the territory might prefer unity or may wish to establish their own autonomous region altogether. If the secessionist minority has the right to democratically repudiate the authority of the central state, why would the minorities within this unit be denied the opportunity to choose their preferred autonomy scheme? Proponents of the plebiscitary view cannot consistently uphold principles of liberal consent and freedom of association if they deny the rights of any minority to self-determination, including minorities within secessionist units in which plebiscites are conducted. Insisting that a referendum for secession be unanimous, however, is just as implausible as requiring that a state be culturally homogenous under the nationalist theory.

C) Remedial-Right-Only Theory

Buchanan rejects both the nationalist and plebiscitary views and advances a justice-based theory of secession. According to this view, secession by a population is permissible only when the state has committed grave and persistent human rights violations against the members of this population and when secession is a measure of last resort against such injustices. Other conditions under which secession is legitimate are when the state unjustly acquired the territory in question and when the state has abrogated already established intra-state autonomy arrangements (Buchanan 2004, 394).

Restricting secession to cases of severe injustices renders this theory comparably conservative, in the sense that it favors the status quo as long as minimal justice is not violated. Thus, Buchanan's justice-based theory is appealing in the sense that it

is avoids the same slippery slope and instability concerns that plague the nationalist and plebiscitary views. Furthermore, it incentivizes states to satisfy basic justice requirements because it makes their territorial integrity contingent on their respect for human rights and existing autonomy agreements.

However, Buchanan's theory might be considered too restrictive in the sense that it fails to allow self-determination for all peoples beyond bare respect for their basic human rights. Patten's theory of secession is thus superior in that it grants an additional reason for secession, namely the 'failure of recognition' condition. According to this theory, when a state fails to provide proper constitutional arrangements that allow sub-state national groups to exercise self-government, the groups have a *prima facie* claim to secession. Patten resuscitates the nationalist view, affirming the importance for individuals of enjoying collective self-government as members of a national identity (Patten 2002, 569). He posits that when a state denies cultural minorities the chance to have a real impact on the democratic processes that control their everyday lives, namely by failing to institute proper forums for internal decision-making, the state deprives these minorities of the right to collective self-government (Patten 2002, 565-6). Indeed, even though Buchanan defines the lack of respect for *existing* intrastate autonomy arrangements as a legitimate reason for secession, he does not recognize a moral right to secede when the state fails to *establish* the autonomy scheme in the first place (Buchanan 2004, 394). To the extent that Patten recognizes the value for cultural groups of exercising a degree of local self-determination, his criteria for legitimate secession are more desirable than Buchanan's minimalist requirements.

Certainly, not every cultural group will express a desire to exercise local self-determination. Territorially concentrated communities, such as Cuban immigrants in Miami, and territorially dispersed minorities, such as Jewish populations throughout the United States, may find that they can adequately work through the mainstream political system to voice their demands and concerns. Unless these groups develop a distinctive nationalist identity that is in danger of being stifled through political marginalization, there is no need to establish formal recognition of the culture. Patten's requirement that there be "equal recognition" of all sub-state national identities is thus implausible (Patten 2002, 560). Instead of expecting the state to take the initiative of setting up units of self-government for all national minorities, it is incumbent on cultural groups to organize their own political blocks and make credible calls for their constitutional recognition. This provision is key since it ensures that local self-government is granted to those cultural communities that truly need it and are prepared to exercise it effectively. When these provisions are met, then the state should be compelled to recognize the entities appropriately.

The following section of the paper is devoted to developing an institutional framework for state recognition that corrects the flaws of current practice. The pro-

posed system uses the secession criteria developed by Buchanan and expanded on by Patten as its primary standards for evaluating claims to recognition. This model is to be regarded as an ideal institution for a quasi-ideal international legal order, and it is not expected that current officers of state will readily adopt it, considering the state of geopolitics today. However, it is a model that may gain gradual support through the work of civil society 'norm entrepreneurs' of the sort that Finnemore and Sikkink discuss, leading to incipient willingness from the part of powerful states to accept and 'internalize' it (Finnemore and Sikkink 1995, 895-900).

Toward a New Institutional Model

State recognition is currently a matter handled exclusively by the UN Security Council. In order for a political entity to be recognized as a state, a majority of members in the Council must vote in favor of recognition, without any of the permanent members vetoing this decision. As others have pointed out, the veto power as it presently works is morally arbitrary in that it distributes decision-making power inequitably. Furthermore, it prevents constructive deliberation by freezing discussions about recognition whenever it is clear that a permanent member will veto the decision (Keohane and Buchanan 2004, 36). Clearly, a more collaborative and fair system of recognition should replace the current procedure through the Security Council.

A basic requirement of any new model is that it aligns with and furthers the goals that already motivate international law, namely the attainment of global peace, stability and justice. An institutionalized practice of recognition should avoid disrupting peaceful relations and should maintain stability as far as is possible. At the same time, a sound practice of recognition should generate incentives that make it attractive for both the states recognizing and those being recognized to better adhere to principles of international justice. In short, an institutionalized practice of recognition should strike an appropriate balance between preserving peace and stability and fostering justice.

The institutional framework for recognition proposed here consists of three parts: (1) an ad hoc legislative body, (2) a network of independent information-gathering agencies, and (3) a permanent adjudicative body.

The ad hoc legislative body would be a coalition composed of representatives of those states with the most robust⁶ recent record of protecting human rights domesti-

⁶ Based on current data from the Human Development Index and Global Peace Index, this list would include Norway, Sweden, Denmark, Canada, Belgium, Australia, Iceland, and New Zealand. <http://www.vexen.co.uk/countries/best.html>. Admittedly, some of these states are among the most isolationist in the world, and even if they were successfully convinced to take part in the creation of the new regime, they would lack the power to enforce the criteria of their devising. The effective launching of this model therefore depends on the widespread acknowledgment of the need for a new system of recognition

cally and internationally. The body would be in charge of encoding into law the set of justice-based criteria to govern state recognition henceforth. These criteria would have to be consistent with Patten's theory of legitimate secession in that they would consider the legitimate grievances of secessionist groups in terms of violations of minimal standards of justice as well as lack of constitutional recognition of sub-state cultural groups, and would weigh these grievances against the sovereignty claims of the existing state. The criteria would need to take into account the secessionists' legitimate claim to the territory in question, the consequences for peace and justice of carrying out the secession,⁷ and the secessionist unit's ability to sustain a viable state that promotes standard liberal rights and abides by international standards of justice. Additionally, the legislative body would establish rules for reforming these criteria and drafting amendments in the future.

The second branch would consist of a network of impartial, independent agencies in charge of evaluating the existing and projected human rights conditions on the ground. These monitoring agencies would include both inter-governmental UN organs, like the Human Rights Council and Universal Periodic Review, and reputed non-governmental organizations, such as Human Rights Watch and Freedom House. The information collected would be compared and compiled into a comprehensive report to be submitted to the adjudicative commission for consideration.

The adjudicative commission would be a permanent impartial body in charge of assessing claims to statehood and applying the criteria devised by the legislative body. It would be comprised of supranational bureaucrats operating above international politics.⁸ These leaders would be called on to adjudicate on matters of secession, applying the law in each case to decide whether or not a secessionist entity should be granted recognition.

Recognition of South Sudan and Palestine under the New System

In order to illustrate how this model would operate in practice, it will now be applied to the cases of South Sudan and Palestine to provide an account of how the newly implemented system would settle the status of each entity. First, after having declared independence⁹ from Sudan and Israel respectively, Southern Sudan and the neutral financial and military backing from the part of major powers. In order to ensure that the system is not corrupted, such funding would be collected on a periodic, e.g. bi-annual, rather than ad hoc basis.

7 A partition that is expected to create opportunities for injustice should be avoided.

8 This is to prevent the impartial body from becoming swayed by power politics. The deliberations would be strictly off limits to politicians and heads of state.

9 Rather than following Buchanan's rather confounding distinction between legitimate secession and legitimate statehood, it is better to equate the two since there is no point in legitimizing secession if the resulting entities will not be recognized as legitimate states. Instead, one should distinguish between a declaration of independence and a legitimate right to secede, i.e. to form a new state out of an old one.

Palestine would formally present their statehood bid to the adjudicative body. The commission would be given a maximum of one year to settle the issue, during which time the secessionist entity would be granted limited sovereignty powers, consisting of internal political and economic autonomy.¹⁰ However, the entity would not yet be able to participate as a voting member in international organizations, nor would it possess any of the international powers and responsibilities of full-fledged states.

Contrary to how events have unfolded, it is likely that the proposed system of recognition would have postponed granting South Sudan independence until ethnic strife in the region had significantly subsided. The previously cited uncertainties with regard to resource sharing between South Sudan and its northern neighbor, coupled with the proliferation of humanitarian crises in both countries, have raised serious concerns about the consequences for regional peace and stability of allowing the partition (Medani 2011). Certainly, the alternative of condemning the Southern Sudanese population to more years of oppression under Khartoum is unacceptable, so a more flexible solution should have been explored. For example, the adjudicative commission might have granted the region limited autonomy in a scheme monitored and enforced by effective transnational organs, while the country continued to prepare itself politically and economically for full independence.

In the case of Palestine, the new model would most likely push for establishing a one-state confederal scheme for a trial period of at least five years. It is important that Palestinian grievances be channeled through credible international organs and that the international community as a whole, rather than just the United States, be involved in negotiations between Israel and Palestine. A scheme of shared bi-nationalism, monitored by the UN and other multinational organizations, is the most sensible step forward, since forcing a partition at this point would leave neither side fully satisfied.

Admittedly, the solutions proposed for South Sudan and Palestine are tentative and subject to revision according to changes on the ground. The point of making these proposals is neither to oversimplify the complexities of these cases nor to underestimate the complications in thoroughly elaborating and implementing any policy decision. It is rather to put forward two conceivable outcomes of the institutional reforms just described. Whatever the actual verdict chosen by the impartial adjudicative body, the decision would be binding and effective immediately, i.e. the secessionist entity would be collectively recognized as a state, or not, by the community of nations.

10 In order to legally exercise such partial sovereignty powers, the entity in question would need to commit to abide by the adjudicative commission's final decision, even if this means no recognition and a revocation of limited sovereignty.

Conclusion

State recognition as is currently practiced is a barrier to the attainment of international peace and justice. Recognition is subject to strategic manipulation by powerful states, creating well-founded frustration and instability. In the absence of a comprehensive normative theory of recognition, this paper uses a justice-based theory of secession as a springboard to devise a system of recognition that is responsive to widely accepted normative principles. The result is an institutionalized system of recognition that confers statehood status to entities that are likely to uphold international standards of peace and justice in the exercise of their rights, powers and duties as members of the community of nations.

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Social Welfare in South Africa: Curing or Causing Poverty?

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Abstract

South Africa's social welfare system affords some form of assistance to over one-quarter of its 50 million citizens. Given the magnitude of this system and enduring tensions between its proponents and adversaries, I question the validity of South Africa's social assistance system by asking whether it is perpetuating dependency on the state, or if it is accomplishing its primary objectives to close the poverty gap and provide opportunities individuals would otherwise be without. This analysis provides an alternative to the two primary discourses surrounding dependence on the state, which argue that welfare either causes dependency on the state or produces benefits the poor would not otherwise have access to. I argue that dependency on the state is not this straightforward and that dependency varies across grants in South Africa. The purpose of this analysis is to evaluate the development of social welfare in South Africa, explore the two primary dependency discourses, assess the strengths and weakness of the three largest grants in South Africa (the Child Support Grant, the Disability Grant, and the State Old Age Pension), look to the future of social assistance through analysis of the Basic Income Grant, and offer recommendations for improving areas of grant- inadequacy.

Introduction

SINCE THE END of apartheid in 1994 and the implementation of extensive social welfare policy in South Africa, there has been an ongoing dialogue and debate surrounding the expansion of social assistance. Social welfare in the past two decades following the end of apartheid has been characterized by divergent themes and direction. In the first decade following the end of apartheid political debate centered around poverty alleviation and redistribution. In the current decade, the

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debates have transitioned to issues of rising expenditure, handouts, and the language of welfare dependency (Surrender 2010). While the South African government has a constitutional commitment to ensure income security for its citizens, there is widespread concern that social assistance has stretched to a point of un-sustainability. Furthermore, there is pervasive concern that the expansion of social assistance has resulted in beneficiaries' dependence on cash transfers from the state. The ANC, South Africa's governing party, is amongst the many adversaries of the social welfare system and has expressed concerns with the social welfare system and the threat of state-dependency it poses. A resolution from the 52nd National Conference of the ANC suggested, "Beyond poverty alleviation, interventions must seek to develop exit programs that capacitate households and communities to empower themselves. Grants must not create dependency and thus must be linked to economic activity. Many of the households and communities that remain trapped in poverty...are dependent on the state" (Surrender 2010, 204). While the ANC opposes certain aspects of the social welfare system, the South African government stands firmly by the system and has even proposed an expansion of services to include the provision of the Basic Income Grant (BIG), a universal grant extending assistance to all citizens.

The magnitude of the social welfare system in South Africa is evidenced by the rapid increase in beneficiaries from 2,889,443 in April 1997 to 13,114,033 in April 2009. Additionally, social assistance and redistribution of wealth accounts for 3.5 percent of South African GDP (Seekings 2011). South Africa has the highest expenditure on social assistance in the world, which further emphasizes the massive scale of the country's social welfare system. With such a significant proportion of the population receiving social assistance, and the grants accounting for such a substantial proportion of expenditures, it is imperative to evaluate the system and ask, "is South Africa's social assistance system perpetuating dependency on the state or is it accomplishing its primary objectives—to close the poverty gap and provide opportunities individuals would otherwise be without?" I argue that the impact of South Africa's social welfare system varies across grants. In this paper, I argue that the Child Support Grant (CSG), while inevitably flawed, is ultimately serving its purpose and removing societal barriers for children, such as access to education. Conversely, I argue that the Disability Grant (DG) and State Old Age Pension Grant (SOAP) create a dependency syndrome which disincentives individuals from seeking employment and pursuing their own means of income.

In order to analyze the effect of social assistance on the poor and the capacity of grants to alleviate poverty, I will first discuss the framework and historical context of the social welfare system and the overall objectives of the system. Second, I will discuss dependency syndrome as a concept independent of the South Africa case. Third, I will discuss each of the three major grants independently, analyzing the purpose of each grant, grant coverage, eligibility for the grant, and the impact of

the grant on individuals and households. Fourth, I will discuss the future of the social assistance system in South Africa and introduce and discuss the Basic Income Grant. Fifth, I will offer recommendations and suggestions for improving the South African social assistance system. Lastly, I will draw final conclusions regarding the varied impacts of South Africa's three primary grants on the poor.

Framework and Historical Context of Social Assistance in South Africa

In 1947 the Afrikaner National Party laws were enacted, which institutionalized racial discrimination, with intent to secure white power over South Africa's social system. These laws infiltrated all aspects of social life. Blacks were forced out of white residential districts and into townships and independent black states, which successfully excluded the black population from white society. Lack of access to jobs in the urban sector and poverty of black independent-states resulted in few economic opportunities for the black population. As with all aspects of life, education was segregated and deeply unequal. White children received quality education and access to tertiary education, while the black school system was grossly underfunded and poor quality (Thomson Learning 2005).

In 1994 the establishment of a democratic government led by Nelson Mandela's African National Congress marked the end of apartheid. While apartheid was officially over, its legacy was alive and continues today. The South African government was tasked with the overwhelming challenge of integrating the previously oppressed black population into the economy. The South African government implemented programs aimed to improve the standard of living for the majority of the population by providing housing, basic services, education, health care, and employment opportunities (Thomson Learning, 2005). The State's desire to correct a half century of deliberately discriminatory policies in education, housing, employment, politics, and welfare, has resulted in one of the largest social welfare systems in the world, a population that still struggles to overcome the legacy of apartheid, and a country that struggles to integrate the previously oppressed black population into the economy.

Released in August 1997 and adopted by the first elected Government of South Africa, the *White Paper for Social Welfare* provides principles, guidelines, recommendations, proposed policies, and programs for developmental social welfare in South Africa. The document recognizes that the primary challenge facing the welfare system is to "devise appropriate and integrated strategies to address the alienation and the economic and social marginalization of vast sectors of the population who are living in poverty, are vulnerable, and have special needs" (Lund Committee 1997). South Africa's approach to providing access to social welfare is based on an assessment of the most effective international strategies to access, which has found that improving economic and social well-being consists of three elements: labor-

absorbing growth; equitable investments in education, health care and social support; and vulnerable groups. As a result of these findings, South Africa has created a grant system that incorporates these elements into the numerous grants offered.

Social welfare policies and programs in South Africa can be divided into two primary categories. The first category of social assistance provides cash transfers, social relief, and developmental services, to ensure that people have adequate economic and social protection during times of unemployment, ill-health, maternity, child-rearing, widowhood, disability, old age, etc. The second category aims to be an expression of the country's commitment to human and social rights and affords assistance intended to be protective as well as provides developmental services for people with special needs (Lund Committee 1997). The policies were formulated with the recognition of social and economic development as interdependent and mutually reinforcing processes; economic growth is necessary for social development, and likewise, social development is necessary for economic prosperity. The interconnected relationship of social and economic development therefore implies that not all social welfare policies will stimulate economic prosperity and poverty alleviation, but rather, will result in equitable social development, a prerequisite for economic development.

South Africa's social assistance system originated as a result of the state's response to poverty among white citizens in the 1920s and 1930s. The system first launched non-contributory old-age pensions, followed by programs for disabled and poor parents, followed by the introduction of a limited system of contributory unemployment insurance. In part, this system was de-racialized in the 1940s, but it wasn't until the end of apartheid that the racialization of social assistance was completely abolished with respect to old-age pensions, and access to social assistance as a whole was de-racialized (Seekings 2008).

Today, South Africa's social assistance system is accessible to more beneficiaries than ever. The government has significantly increased its spending on social grants from R16, 027 million (2.05 billion USD) in fiscal year 1998 to R71, 161 (9.81 billion USD) in FY 2009 (Van Der Berg & Siebrits 2010). Today one-quarter of the population receives a state grant and this number is continuing to grow. Prior to the late 1990s, the government offered social grants only to children (individuals under 14) and seniors (65 and over); this left an enormous gap in which the majority of the population did not have access to government assistance. This assistance gap closed in the 1990s as a result of a shift in the direction of the ANC social policy, in which an emphasis on reconstruction and redistribution was replaced by a vision of social policy that is responsive to both the constraints of limited resources and the need to achieve higher rates of economic development (Powell & Hendricks 2009). This indicated a major ideological shift in the objective of social welfare in South Africa and opened the system to a large demographic that previously lacked access.

Today, more South African citizens than ever are recipients of social assistance. The number of grants available and the scope of assistance offered to South Africans have expanded from offering grants to just children and seniors, to introduction of three coverage areas: childhood, working age, and old age. The assistance system is currently comprised of the following grants: Child Support Grant, Care Dependency Grants, Foster Care Grants, Unemployment Insurance Fund, Compensation Fund, State Disability Grant, and the Old Age Pension Grant.

Dependency on the State

The issue of dependency on state resources is not unique to South Africa and is explored through two primary discourses. The first discourse argues that welfare causes dependency on the state, which is identified as the “dependency syndrome.” The second discourse argues that welfare produces benefits the poor would not otherwise have access to. The first discourse is explained by Charles Murray, who in the 1980s proposed an ‘underclass thesis.’ The basis of his argument is that among the population, there are significant groups whose socio-economic situations are driven by their own behavioral failings; in particular, that they have little or no attachment to the labor market. He stated that paid work is not valued, and individuals are content to derive their income from state transfers, in which the state redistributes wealth to fund social welfare programs. Furthermore, social security facilitates passivity and dependence among the poor, and thus welfare helps to perpetuate poverty rather than alleviate it (Surrender 2010). Murray sees welfare as a system that disincentivizes individuals from seeking employment. The people who are benefiting from the welfare system are undeserving and are recipients by choice, not by necessity.

The second discourse suggests the viability of welfare to produce incentives for the poor to seek employment and participate in economic activity. This school of thought suggests that grants enable poor individuals to make high-return investments that cash constraints would otherwise prohibit, such as facilitating job searches, financing migration, managing negative shocks, funding small enterprise creation, and improving productivity through better health, nutrition, and training (Surrender 2010). The primary contradiction between these two discourses is whether unemployment and poverty are a result of structural conditions of the labor market and the economy as a whole, or whether unemployment and poverty are a result of the structure of the welfare system.

The issue of dependency in South Africa cannot be as clearly separated as the aforementioned discourses suggest. While certain aspects of South Africa’s welfare system encourage perverse incentives, namely the Disability Grant and the State Old Age Pension Grant, the Child Support Grant serves a vital purpose and its benefits outweigh any dependency it may foster. These assertions will be evidenced through an overview and discussion of each categorical grant and its impact on the poor.

Child Support Grant

The Child Support Grant (CSG) is one of the greatest points of contention within the South African social assistance-dependency debate. The Child Support Grant was introduced in April 1998 to replace the Child Maintenance Grant, which provided racially motivated assistance during apartheid. The transition to the CSG resulted in an outlay of a higher number of smaller grants. Accessibility to the grant has increased significantly since its introduction because the age of eligibility of reception has expanded. When the grant was first introduced, it was limited to children up to the age of 6; as of April 2005, children up to 14 years of age are eligible. This grant accounts for 31 percent of social assistance expenditures and therefore is the second largest grant in the country (Seekings 2008). The CSG is a non-conditional means-tested cash transfer and provides R250 (31.93 USD) per month per child to the head of the household and is eligible to single caregivers with a monthly income threshold of up to R2500 (319.26 USD) and up to R5000 (638.50 USD) for married caregivers. As of February 2010 the number of beneficiaries for the Child Support Grant reached 9,474,281 (Van Der Berg & Siebrits 2010). The massive expansion of this grant has caused concern amongst skeptics of the social welfare system who fear that widening the eligibility demographic of the CSG will heighten the risk of dependency and increase the opportunity for mismanagement within households.

A survey conducted by the African Centre in 2002 of approximately 11,178 African households in the Umkhanyukude District of KwaZulu-Natal, a poor and mostly rural area, explores the impact of the CSG on poverty and provides counter evidence to the theory of dependency syndrome. 3,615 of the households reported collectively receiving a total of 6,039 grants, 94 percent of which were receiving a CSG (Case, Hosegood & Lund 2005). The survey found that one-third of all age-eligible children received the grant, and based on the household assets reported, these recipients were from the poorest households. Recipients of the grant were found to be significantly more likely to be enrolled in school in the years following receipt of the grant, as compared to equally poor children of the same age not receiving the CSG (Case et al. 2005). These preliminary findings point to a positive correlation between grant reception and school enrollment. It also suggests that the grant is being appropriately targeted to the poorest households. Both of these findings are further explored and evidenced in the survey.

One of the prominent theories that suggests that reception of the CSG results in dependency on the state is based on the idea that women become intentionally pregnant to receive a grant. Jacob Zuma’s political campaign has raised this alleged issue of young women abusing the social grant system, by either intentionally becoming pregnant, or by leaving their children with grandmothers or other family members, while they take the CSG and utilize it for alcohol, gambling, shopping, etc. However, two comprehensive surveys offer evidence counter to this claim

(Richter 2009). This ongoing debate was thought to have been put to rest in 2007, when the Department of Social Development released the findings of a Human Sciences Research Council (HSRC) study analyzing the relationship between teenage pregnancies and uptake of the CSG. Recently, this debate has resurfaced. The HSRC concluded that there was no association between teenage fertility and receiving the CSG. This conclusion was based on three primary findings: 1. While teenage pregnancy rose rapidly in the 1980s, it had stabilized and started to decline by the time the CSG was introduced in 1998, 2. Only 20 percent of teens that bear children are beneficiaries of the CSG, which is disproportionately low compared to their contribution to fertility, and 3. Observed increases in youthful fertility occurred across all social sectors, including amongst young people who would not qualify for the CSG on the means-test (Richter 2009).

Overall, these findings indicate that allegations of mothers' foul-play are rooted in assumption rather than factual evidence. While it is indubitable that a percentage of mothers partake in misbehavior and a certain degree of corruption and mismanagement exists within the distribution of the CSG and all social assistance for that matter, the percentage of individuals partaking in such behavior is proven insubstantial and has a negligent effect on the effectiveness of the CSG.

The findings from the HSRC were reconfirmed in the survey conducted by the African Centre. This survey found that mothers and fathers receiving the CSG are on average one year older than the mothers and fathers of non-grant recipient children. Furthermore, only 3.7 percent of children receiving the grant have teenage mothers, as compared to 8.7 percent of children not receiving the CSG who have teenage mothers (Case et al. 2005). This indicates a five percent differential in the number of children who were born to teenage mothers in CSG receiving households versus non-CSG receiving households. This finding opposes the theory that teenage women become pregnant with intent to receive a grant. If this idea were correct, it would be reasonable to expect that the percentage of teenage mothers receiving the CSG would be greater than the percentage of non-teenage mothers receiving the CSG. Overall, this evidence weakens the validity of CSG receipt as a motivator to becoming pregnant.

It is also questioned whether mothers apply for the CSG, receive the grant, and then abandon their child and utilize the assistance to sustain their own livelihood rather than their child's. The findings of this survey find inconsistencies with this notion. The data collected from the African Centre shows that children not cohabitating with their mothers were more at risk of not being CSG beneficiaries. 41 percent of children with resident mothers reported receiving a CSG, as compared to 29 percent of recipients with non-resident mothers, 23 percent with deceased mothers, and 19 percent with mothers with unknown status (Case et al. 2005). Furthermore, holding fathers' status constant, children with resident mothers were significantly

more likely to be recipients of the CSG in 11 of 12 comparisons with children whose mothers were non-residents. These findings are significant because they highlight a correlation between participation in the CSG system and mothers cohabitating with their children, indicating that more children were beneficiaries of the CSG if a mother was present. This directly opposes the notion that women apply for the grant and then abandon their children. Additionally, this shows that children are more at risk if a mother is absent. The majority of children surveyed benefit as a result of their mother's obtainment of the CSG and as result, are more inclined to enroll in school. It must be noted that while this evidence helps to disprove this theory, this information does not take into account whether or not resident-mothers are using the cash from the CSG for the intended purposes. A higher receipt of the CSG in households with resident mothers versus non-resident mothers simply indicates that women are primarily responsible for acquiring assistance, but it does not indicate that these individuals are using this assistance appropriately.

There is pervasive concern that the system of CSG disbursement results in haphazard payouts that do not necessarily target the poorest households, but rather, benefit families who are using the grant out of dependency rather than necessity. The African Centre survey found that on average, children with a CSG live in households that own significantly fewer assets (determined by an evaluation of households' ownership of necessities and luxuries) (Case et al. 2005). Controlling for a child's age, sex, household size and composition, and parents' marital status, the survey found that several luxuries (i.e. VCRs, computers, cars, etc.) are negatively associated with receipt of a CSG (Case et al. 2005). Moreover, significant associations were found between the receipt of a CSG and mothers' employment status and level of education. In comparing mothers that have completed standard 10 (equivalent to grade 12 in the US) and mothers with inferior education, mothers with less education were six to 10 percent more likely to receive a grant (Case et al. 2005). Similarly, children whose mothers are not employed (which is true of approximately 40 percent of those surveyed) are 14 percent more likely to be recipients of a CSG. Mothers working full-time are generally ineligible due to an income level above the allowable threshold (Case et al. 2005).

These results were mirrored in terms of the fathers of children receiving grants. Children with fathers who had less than a standard seven (equivalent to grade nine in the US) education, as compared to fathers with at least a standard 10 education, were 15 percent more likely to receive a grant (all other things being equal) (Case et al. 2005). In regards to employment, children with unemployed fathers were significantly more likely to be grant recipients. These findings imply that CSG's are reaching the poorest households and, therefore, are reaching their target demographic. It is important to recognize that, while the CSG may be reaching the poorest households, this information does not indicate whether these households are poor

as a result of unemployment, which may be a direct result of perverse incentives to seek employment, and thus, a dependency on the income provided by the grant.

As previously discussed, South Africa's social assistance system serves dual purposes. The Child Support Grant is intended as a developmental supplement to aid poor caregivers by providing them with the financial capacity to send their children to school so they can acquire an education and, eventually, join the work force. The African Centre survey did not monitor individuals surveyed for a sufficient period of time following participation in the CSG program; consequently this survey could not supply evidence to determine if CSG recipients are significantly more likely to find employment post school-age. The survey did, however, evaluate the impact of CSG receipt on school enrollment, which is a clear precursor to the future obtainment of employment. The African Centre survey found that CSG receipt in 2002 was associated with an 8.1 percent increase in school enrolment among six year-olds and a 1.8 percent increase among seven year-olds (at the time of the survey seven years old was the maximum age eligible for grant receipt) (Case et al. 2005). This is a notable finding because as previously mentioned, households with mothers and/or fathers with lower education are significantly more likely to receive a CSG, and thus, households with caregivers with the lowest levels of education are raising children with the highest enrollment rates. These households are potentially breaking a cycle that produces uneducated and unemployed adults.

Overall, it is evident that the CSG is positively impacting poor children. The HRSC and the African Centre survey clearly show the correlation between CSG receipt and school enrollment, which is the greatest indicator of appropriate grant use. These surveys also highlight the accuracy and success of the CSG in targeting the poorest households. As mentioned, there are questions that the surveys leaves unanswered. First, from the information provided it cannot be determined what percentage of CSG funds are truly utilized for their intended purpose. Second, the information does not provide sufficient evidence to prove that CSG recipients are poor due to external factors, such as the economy, rather than poor by choice due to a dependency on cash-transfers. Despite these unanswered questions, the two surveys offer adequate information to conclude that the CSG is in fact fulfilling its purpose, and while there is not complete adherence to the conditions of the CSG, the positive impacts of the grant are outweighing areas of deficiency.

Disability Grant

In addition to the CSG, the Disability Grant (DG) is largely criticized and questioned for the dependency culture it is blamed for propagating. The DG is non-contributory and means-tested and is available to people disabled in circumstances other than road and work-related accidents, and this is the only social grant program for the working age population. The purpose of this grant is to compensate individuals for loss of income. DG benefits are provided on both a temporary and permanent

basis; the permanent assistance is intended to carry recipients into eligibility age for the State Old Age Pension program, while temporary assistance is designed for individuals that have a disability that prevents them from working from six months to a year. As of April 1, 2010 the grants amounted to R1080 (137.92 USD) per month, which is noteworthy due to the fact that this grant provides an income approximately twice the per capita income for black South Africans (Mitra 2010). The number of DG beneficiaries reached 1,310,761 by the end of February 2010 (Van Der Berg & Siebrits 2010). The last requirement for eligibility of the DG is based on private incomes of up to R2426 (309.80 USD) and R4852 (619.60 USD) for married couples. *Bore re volorum alit, con re pore placeribus, ommolup tatusae reiunt evendae nectas et landis qui in nisti inus acearci dolupta taquidis modit volesed endae.*

The first point of contention within the DG-dependency debate focuses on the grant's effectiveness in targeting poverty. Disbursement of the DG is determined based on a number of factors: applicants must meet age eligibility guidelines (18-59 for females, 18-64 for males); they must be within the threshold of the means income and asset tests; and they must provide proof of assets, financial statements, proof of marriage, and proof of unemployment (Van Der Berg & Siebrits 2010). Furthermore, the National Minister of Social Development specifies that an individual is only eligible for application if the severity of their disability results in their inability to enter the labor market. While DG applicants must fulfill many requirements to be considered for eligibility the program has become more accessible within the last decade throughout South Africa as a result of policy changes. This relaxing of policies is viewed as a heightened opportunity for people to take advantage of the system by feigning disability and has been met by increased questioning of the impact of the grant.

The General Household Survey (GHS) is an annual nationally representative survey utilized since 2002 that identifies household level data on socio-economic indicators and individual level data on social grant receipt and disability status was utilized to determine the profile of DG recipients and their households. The 2008 GHS found that 81 percent of beneficiaries are African (black), 13 percent Colored (of mixed decent), and six percent whites and Asians. DG recipients are significantly older than non-recipients, with mean ages of 48.5 and 42 respectively. Furthermore, while the majority of beneficiaries are over 40 years of age, one-third of the recipients are under 40 (Mitra 2010). This brings attention to the fact that in developed countries, the majority of disability-recipients are close to retirement age. This information indicates that individuals in South Africa begin receiving disability at a much younger age, and therefore have a greater opportunity to benefit and depend on the grant for long term income rather than joining the labor market, where their income will most likely be less than what the recipients receive

through the DG.

DG recipients were found to be more likely to have prior work experience than non-recipients, while also being less inclined to have worked in the past three years. Amongst DG recipients, only 6.6 percent reported a willingness to accept a job if offered one. Due to the previously mentioned fact that one-third of recipients are only temporary receivers of the DG, and the end of their grant reception is finite, it seems to follow logically that more individuals would be willing to accept a job. This may indicate that temporary grant recipients have intentions to feign disability for the purpose of continuing receipt of the grant. Lastly, DG recipients are three times more likely than non-recipients to be illiterate and reported having significantly less education; this suggests that DG recipients are facing major barriers to employment, which may discourage them from seeking a job and thus, result in their dependence on the DG for permanent income and sustenance (Mitra 2010).

The GHS also examined the profile of DG recipient households. The survey found that DG recipient households have a higher average number of children than non-recipient households, with 1.99 and 1.4 children respectively. DG households are also more inclined to be multi-generational, meaning children, parents, and grandparents cohabitate, or skip-generation households, in which children live just with their grandparents. Of the economic indicators assessed, DG recipients as compared to non-recipients showed to be worse off on all accounts. Specifically, the mean and median per capita household expenditures (in terms of expenditures on food, clothing, electricity, water, fuel, housing, transport, services, savings, taxes, etc.) for DG recipients were much lower than non-recipients, with medians of R212 (27.07 USD) and R345 (44.06 USD) respectively. The employment rate for DG recipient households was 17.3 percent compared to 51.4 percent for non-recipients (Mitra 2010). DG recipients were also found to be concentrated in rural areas with less access to social services. They are recipients of other social assistance, and their living conditions are inferior to non-recipients in terms of access to piped water, flush toilets, and electricity. Overall, these indicators show that disability grants are reaching their targeted demographic, the poorest households. These indicators, however, do not show that these individuals are necessarily the most deserving of benefits; their inferior economic and social position to DG non-recipients may be strategic. Recipients may intentionally avoid employment and other opportunities with the intent to remain beneficiaries of the grant, which provides a higher income than they will most likely receive through employment.

Overall, evidence from the GHS supports the notion that the DG leads to dependency. No supportive evidence was found showing a link between DG receipt and increased access to opportunities that individuals do not have access to in the absence of the grant. The DG profile-type found by the GHS shows that recipients are uneducated, illiterate, and unwilling to work. These individuals intentionally

avoid joining the labor market in an effort to continue receipt of the DG grant, which provides an income superior to that achievable by individuals lacking skills necessary for obtaining decent-paying jobs. The DG is exacerbating poverty by providing individuals with a hand-out rather than a hand-up and offering perverse incentives that encourage DG recipients to undeservingly benefit from the system.

State Old Age Pension Grant

The State Old Age Pension grant accounts for 37 percent of social assistance expenditures, which costs approximately 1.4 percent of GDP, and therefore comprises the largest proportion of social assistance outlays. Recipients of the SOAP are eligible for R1010 (128.98 USD) per month. This grant is non-contributory and becomes available at the age of 60 for women and 65 for men (Lombard & Kruger 2009). Benefits disbursements are means-tested on the income of the individual beneficiary, and his/her partner if married, but it does not factor in the income of other household members (Kalula 2009). This grant claims to reduce the scale of older people's poverty, while also reducing a household's probability of living in poverty.

Due to mass unemployment in South Africa (estimated to be between 25 and 40 percent depending on who constitutes as unemployed), pension recipients are often the only contributors to income in households and thus, support the entire family on their SOAP grant. Because of this, the state pension is assumed to close the gap between poor households with access to wage income and those without. Contrary to this assertion, the SOAP creates a network of dependency in which entire households are dependent on the pension income of one individual and use this assistance for sustenance rather than seeking employment and self-sufficiency. Statistics show that for every grandmother receiving a pension, 20 people are being supported by this one grant (Lombard and Kruger 2009). The implications of this statistic are two-fold. This could indicate that the SOAP is consolidating families, preventing fragmentation, and reinforcing a support system amongst family members. Conversely, this could indicate that family members have a dependency on the income of pension-earners and are undeserving of the benefits of the grant.

The issue of inaccurate dispensation of SOAP benefits is the greatest concern amongst critics of the grant. The use of means-testing to determine the eligibility of recipients, which only takes into account the beneficiary of the grant, rather than the entire household, is a major problem. Using this method to determine eligibility is claimed to perpetuate a poverty trap caused by perverse incentives, which materializes because recipients have the opportunity to lie about their private income (Bhorat 2001). Because entire households are benefiting from receipt of the SOAP, the entire household needs to be factored into the means-testing, rather than the beneficiary alone. While the grant is intended for the recipient, the recipient has the right to determine whether or not to share this income with the members of their household. The recipient's decision to share or not share the benefits of

this grant with household members is not a direct concern of the government; however, a recipient's decision to share these funds has implications that impede the actualization of the benefits of this grant, which should be the government's concern. The potentially large beneficial effects associated with the sizeable-nature of this grant are diluted when, as previously mentioned, 20 individuals are being supported by one grant.

Overall, the SOAP creates dependency amongst households on the recipient of the grant. The poor system of disbursement results in the allocation of grants to ineligible individuals that capitalize on benefits intended for the poor. While the elderly are a vulnerable population in need of assistance, the SOAP exacerbates the problems of the elderly rather than providing supplementary income that can increase their well being.

The Future of Social Assistance in South Africa: The Basic Income Grant

In 2002 the Taylor Committee, an investigative committee created by the South African government to investigate the establishment of an integrated and comprehensive social security system, released a report, entitled 'Inquiry into a Comprehensive Social Security System for South Africa;' this report suggested the phasing-in of the Basic Income Grant (BIG) from 2004 to 2015. The proposed implementation of the Basic Income Grant was motivated by an observed gap in assistance for working-age individuals and recognition that not only children, the disabled, and retirees need social protection, but also working-age individuals who are vulnerable to unemployment, which results in impoverishment. The overarching aim of the BIG system is to reduce poverty and raise living standards. The projected impact of the grant is an immediate reduction in the poverty gap; the poverty gap is estimated to close by 56.7 percent, which is a dramatic increase compared to the 7.6 percent closing caused by the current system (Taylor Committee 2008). Despite the Taylor Committee's fervent support of the grant and expectations of widespread benefits, hostility has spawned between the government and the ANC. Deputy President Kgalema Motlanthe has recognized that social assistance alone is not a panacea for poverty reduction stating, "We cannot pull back from our social security regime even though in themselves such interventions are not sufficient to migrate families out of poverty. Therefore investment in improving the quality of education and job creation is vital" (Bridge 2011). Disagreements between the government and the ANC have slowed progress in the BIG debate; however, its feasibility, sustainability, and financing continue to be discussed for future implementation.

The BIG will be provided as an entitlement without a means-test. According to the Taylor Committee, as this grant will be distributed to everyone regardless of their means, this will have an effect of, "removing the stigma that labels the recipient as 'poor,' and bolstering economic support without draining psychological resources" (Taylor Committee 2008). Individuals will receive R100 (12.77 USD) per month

given to the primary caregiver of the household. While the reasoning behind the BIG is clear, it seems that in practice, the grant will not serve the purpose the Taylor Committee has envisioned. The BIG system of delivery is fundamentally flawed. Too much trust is put in the hands of the primary caregiver to disburse funds correctly amongst members. This gives care givers an opportunity to take the funds and use them at their own disposal. Furthermore, individuals have complete control over the use of the grant. The non-descript purpose of the grants gives recipients too much freedom in determining how to use the supplemental income, which they may use for illegal activity or other misbehaviors. Also, the grant is not sizeable enough to have a significant effect on the ability of individuals to enter the labor market and move out of poverty. While the grant will most likely have a negligible effect on individuals and households, it will have a significant impact on the purse of South Africa, with expected expenditures of R44 billion (5.62 billion USD) per year.

The concern for dependency expressed in regards to the CSG, the DG, and the State Old Age Pension extends to the BIG. Because the BIG has no means-test, the Taylor Committee claims that this grant avoids many of the disincentives to work that are inherent in other social assistance systems (Taylor Committee 2008). The grant will be evenly distributed throughout the population, when in order to elicit potential positive effects, it needs to be distributed to the poorest individuals. Additionally, the Basic Income Grant Coalition acknowledges that poverty in and of itself causes dependency. The Basic Income Grant Coalition rationalizes the dependency they acknowledge the BIG will cause by explaining that the very poor are typically forced to depend on relatives, friends, or social assistance for survival; whether or not the very poor are dependent on social grants, they will have a dependency of some form (Basic Income Grant Coalition 2011). The Basic Income Grant Coalition is justifying the dependency caused by the BIG by stating that poor are already inherently dependent. Rather than further entrenching the poor in dependency and poverty, opportunities for empowerment and employment need to be created for the poor.

The Taylor Committee has an unrealistic conception of the capacity of the BIG to achieve its primary objectives. One of the main objectives of the BIG is to close, or at least significantly lessen, the poverty gap. The Taylor Committee estimates that the BIG will close the poverty gap by two-thirds for households with children but no pensioners; for households with children and pensioners, the gap is expected to close even more significantly, however the degree to which is not given (Basic Income Grant Coalition 2011). For skip-generation households, 95 percent of the gap is anticipated to close, and for three-generation households 85 percent of the gap. Another major goal of the BIG is to increase per capita transfers, ultimately redistributing greater wealth, and engendering economic and social equality. The disparity in average per capita social security transfers across household types is

expected. Without the BIG, poor households with just children and working age adults receive per capita transfers averaging R14 (1.79 USD), while poor pensioner households receive an average of R523 (66.79 USD); this is a ratio of 37 to one (Taylor Committee 2008). Under the BIG system, poor households with just children and working age adults will receive per capita transfers averaging R109 (13.92 USD), while poor pensioner households will receive an average of R56 (7.15 USD); this is a ratio of five to one (Taylor Committee 2008). These projections indicate a substantial decrease in the divergence between pension recipients and non-recipients.

In total, the number of people covered by the social security system is planned to increase more than five-fold, and the total rand value of transfers should rise to R70 billion (8.94 billion USD). Of the R70 billion, the BIG will account for R44 billion and will incur an additional tax burden between R13.5 billion (1.72 billion USD) and R24 billion (3.06 billion USD), depending on if it is financed out of income tax increases or value added tax. The end result of the BIG system, according to the Taylor Committee, is the nearly complete elimination of extreme poverty, a closing of the poverty gap by 74 percent; 6.3 million individuals moving out of poverty, and a decrease in the number of destitute individuals (measured using half of the poverty line) by 10.2 million (Taylor Committee 2008).

The Taylor Committee poses the BIG as a cure-all for poverty. The Committee identifies all of the possible benefits of the grant, without assessing areas of deficiency and potential failure. This grant, like all social assistance, will inevitably have unanticipated consequences. Due to the magnitude of the grant, it is imperative that the anticipated benefits are weighed against the projected expenditure incurred by the grant, which will put increased pressure on taxpayers, which are already contributing massively to redistribution of wealth.

Recommendations

The Child Support Grant, the Disability Grant, the State Old Age Pension, and the Basic Income Grant each possess unique opportunities and challenges. The social assistance system in South Africa is well intentioned, but falls short in its execution. There are no quick fixes to address the problems plaguing each of these grants, but there are recommendations for consideration.

Child Support Grant

The CSG should transition to a shared system of in-kind transfer, in the form of food stamps, and cash-transfer, which affords the recipient discretion to use the funds for the intended purpose, but with the addition of conditionality. This transition to a shared system of in-kind and cash-transfer will improve the government's ability to direct the use of grants, increase transparency, and decrease misuse of funds. Additionally, disbursement of the CSG should be targeted to strengthen the positive correlation between household's receiving CSG benefits and enrolment in

school. Initial eligibility for CSG should continue to be means-tested, but continued reception of the grant should be regulated through the introduction of conditions. Currently, primary care-givers are responsible for ensuring that the child is fed, clothed, immunized, and given access to health care; these requirements are not monitored (Labour Research Service 2012). While each of these requirements cannot be feasibly monitored, CSG recipients should be responsible for verifying their child's acquisition of medical care, and additionally, their enrollment and attendance in school. The child's healthcare provider should submit proof of visits and immunizations on an annual basis that occurred during the past year to the Department of Social Development, under which the CSG is administered. The child's school should similarly provide, on an annual basis, the Department of Social Development with a report verifying the child's regular attendance in school. Both of these conditions should be met in order for the CSG recipient to be considered for CSG renewal beyond the first year of reception.

Disability Grant

Annual renewal should be required for extension of permanent DG and bi-annual renewal for temporary DG. Currently, the system puts too much trust in grant recipients and allows for too much abuse. Also, to reduce the increasing demand for DG benefits, a HIV and AIDS education programs should be prioritized. The AIDS epidemic has been identified as a major contributor to the increased demand for DG grants over the last several years, which has resulted in large numbers of very ill people who are unable to work (Goldblatt 2009). To take a preventative strike against the continuation of this trend and the need for increased outlays of DG benefits, HIV and AIDS education programs should be mandatory in public elementary and secondary schools.

State Old Age Pension

The SOAP should take into account the entire households' income when determining the eligibility of the grant. The current system motivates disbursement to undeserving household members that are dependent on the grant. Additionally, to lessen dependence on the SOAP, the South African government should require compulsory retirement savings for individuals earning an income above a determined threshold, throughout their adulthood, so that individuals are better positioned when they reach old age, and thus, less dependent on the income from their SOAP.

The Basic Income Grant

The BIG should be implemented to a test population; projections of the impacts of the BIG need to be based on both qualitative and quantitative analysis to determine the validity of the grant and its true impact on the poor prior to its implementation nationwide. Supposing that the reception of this grant has a negligent effect on beneficiaries, which is probable when considering the small-size of the grant, the

objectives of the BIG should be redirected towards the conceptualization and implementation of a program that will result in fewer South African citizens receiving state assistance rather than a greater number. To achieve this, the projected outlays for the BIG should be used towards subsidizing education and vocational training for adults. South Africa's high unemployment rate of 25 percent to 40 percent, with half of 18 to 25-year-olds unemployed, is not simply a result of a shortage of jobs, but due largely to a shortage of educated individuals (Price 2012). From 1970-2005 the sectoral composition of employment in South Africa changed dramatically. Agriculture went from 33 percent of total employment to only 11 percent, while wholesale and retail Sales increased from 9 to 25 percent, and employment in the financial sector increased from 3 to 11 percent (Banerjee, Galiani, Levinsohn, McLaren & Woolard 2008). The changing composition of employment indicates a shift towards an economy that favors high-level skilled workers with formal education, rather than unskilled laborers. There is an ongoing mismatch between the type of work demanded by firms and those supplied by the labor market; South Africa has a demand for high-skilled and educated workers, but does not have the appropriately skilled and educated labor force to fill the country's needs, which indicates a need for tertiary education and technical training (Vaal University of Technology 2008). While outlays for the subsidization of tertiary education and vocational training will stretch the country's budget in the same way as the Basic Income Grant is projected to, the long term implications of subsidized education and vocational training are justifiable in comparison to the negligible implications of the BIG. Subsidized education and vocational training is an investment in the future economic and social health of the country, rather than an unsustainable handout that will have insignificant effects on recipients in comparison to the significant monetary burden on the South African government. Subsidized education and vocational training are investments in South African citizens that will result in economic growth, decreased unemployment, and a diminishing need for social assistance; the great returns associated with this investment validate the sizeable initial outlays required by the government.

Conclusion

South Africa's social assistance system is built on a solid framework and noble principles that aim to stop the social and economic marginalization of the poor. The system attempts to achieve this through a series of primarily non-contributory, means-tested grants that intend to provide the poor with opportunities they would not have access to in the absence of social assistance. These grants offer cash-transfers that are envisioned to remove barriers preventing the poor from accessing education, healthcare, and employment, with the ultimate goal of significantly decreasing the number of citizens living in poverty.

While not all of the grants are failing to achieve their objectives, the majority

of them are. Both the Disability Grant and the State Old Age Pension grants are providing perverse incentives that are leading to dependency on state aid. These grants are falling into the hands of undeserving individuals and incentivizing recipients and recipient households to depend on the income from the grant, rather than to seek employment. While the Child Support Grant faces many challenges, namely the appropriate use of the grant, overall, this grant is accomplishing its goals, as evidenced by the strong and positive correlation between grant receipt and enrollment in school amongst the poorest families. The Basic Income Grant will inevitably confront the same obstacles faced by the DG, CSG, and the SOAP, however, due to the massive scope of this grant, there is potential for wider dependency, corruption, and misuse of assistance.

The South African social welfare system on its own is inadequate in reaching the goals it has set forth to accomplish. Changes within the assistance system need to be made to enhance efficiency, accuracy and effectiveness of the disbursement of grants. This system must be coupled with aggressive work programs and job stimulation policies that truly empower the poor and provide them with the resources to rise out of poverty, and into stability and employment.

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The Circular Dilemma of State Building in Afghanistan

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Abstract

America's decade-long war in Afghanistan has been extremely costly in terms of both economic and political capital. Still, America has made only marginal progress towards constructing a stable Afghan state. In this paper I analyze some of the economic and political barriers that have made this process so difficult. Ultimately, I find that Afghanistan's woes are largely the result of several "Catch-22s" that are in many ways unique to Afghanistan. Among these is the relationship between security and infrastructural development. Afghanistan's natural economic endowments require large investments in heavy infrastructure that is only economically viable if accompanied by a strong security force. In order to build an effective security force, however, Afghanistan badly needs revenue from new industries. Breaking this stalemate will ultimately require a far greater military and economic investment than any international actor, including the United States, is able to provide. Afghanistan represents a uniquely difficult state-building challenge that the United States has been unable to conquer.

ON MAY 2ND 2011, Americans across the United States celebrated the death of Osama Bin Laden. After ten years of a frustrating War on Terror, America had finally achieved a tangible victory. For a day, the country could forget the failure that has defined America's main foreign policy endeavor of the past decade

When America invaded Afghanistan in 2001, it committed itself to two main tasks. First, it committed to fighting terrorists groups such as Al Qaeda. Second, it committed to rebuilding the Afghan state following the Taliban's exit from power. More than ten years later, this second task has proven inexplicably difficult. From establishing a stable economy, to building an effective security force, to creating political institutions with any legitimacy, the American state-building effort in Afghanistan has failed. This result is especially perplexing considering that the United States spent upwards of 400 billion dollars on the Afghan war effort between

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2001 and 2011, spending more than 55 billion dollars on civilian rebuilding efforts alone (Belaso 2011). While similar operations in Iraq diverted significant attention from the mission in Afghanistan, the construction of a stable Afghan state has been one of the top foreign policy priorities of the United States Government over the past decade. Now, as President Obama outlines the initial stages of a plan to end America's presence in Afghanistan, an examination of this state-building failure seems appropriate.

In order to adequately discuss the notions of state building and state failure, one must first define these terms. While commentators often use them loosely, some academic institutions have attempted to standardize their meanings. Notably, The Fund for Peace, a prominent think tank located in Washington, D.C. that "works to prevent violent conflict and promote sustainable security," has developed a multilateral scale for defining state failure. Most broadly, the Fund characterizes a failed state as a state whose government is unable to: sustain a monopoly on the legitimate use of force, collectively make decisions on behalf of the state, provide public services across the entire territory, and interact with other states as a full member of the international community (*Failed State Indicators* 2011).

The Fund for Peace has ranked Afghanistan as one of the world's top ten failed states every year for the past five years. In explanation of its assessment of Afghanistan, the Fund cites "widespread violence by insurgent groups" that prevents the creation of a functional government, the inability of the government to control rural regions in which drug lords operate, lack of human services, and pervasive political corruption (*Country Profile* 2011). When discussing the challenge of state building in Afghanistan, I generally refer to coalition efforts to correct these widespread problems.

In this paper, I attempt to examine some of the factors that have made Afghanistan such a difficult foreign policy endeavor. While a complete analysis of each individual factor is beyond the scope of this paper, I attempt to address the major impediments to establishing a stable economy and legitimate political institutions. While institutionalizing a fully functioning state would require more than these two elements alone, such a state cannot exist without either of them. In my analysis, I attempt to explain the cyclical nature of the Afghan failed state by examining the relationships between the factors that have made state building so difficult. Political and economic weakness feed off of one other, creating uncertainty over which state-building barriers to address first.

Part One: Afghanistan's Unhealthy Economy

While a stable economy is not necessarily crucial to the existence of a stable state, Afghanistan's economy is currently structured in such a way that it serves both as an obstacle to the incumbent government and as a benefit to the Taliban insurgents.

In order to establish credible political institutions, Afghanistan must completely reform its economy. The first step to understanding the Afghan economy's role in the state building process is addressing the role of the poppy plant.

The Poppy Dilemma

Poppy is both a powerful and complex component of Afghanistan's economy. It is Afghanistan's most valuable economic resource, and thus a main source of income for a large portion of Afghanistan's civilian population. The United Nations Office of Drugs and Crime estimated that the "farm gate" value of poppy cultivation represented 9 percent of Afghanistan's 2011 gross domestic product. When this figure includes value created by processing poppies into opium, the full value of the poppy industry is nearly 15 percent of the country's GDP. Additionally, 17 of the country's 35 provinces participate in the farming of poppies (2011). The main ingredient in most opiate narcotics, poppy is considered an illicit resource. As such, the legitimate government cannot participate in the cultivation of a resource that represents a significant portion of the country's GDP. Principally, poppy serves as a primary source of income for the Taliban. While the Taliban has at times claimed to prohibit the cultivation of poppies based on religious grounds, most security and intelligence experts view these claims as little more than political theater (Perl 2001).

In his book *Oil, Drugs, and Diamonds: How Do Natural Resources Vary in Their Impact on Civil War?*, Michael Ross explains that resources are most valuable to a rebel organization when they are both "lootable" and "obstructable" (2003, 47-70). A resource that meets both of these criteria can provide rebel groups with enough funding to sustain drawn-out insurgent campaigns. "Lootability" refers to the ease of extracting the resource. Resources that develop naturally or are easily grown, such as diamonds, are "lootable." Resources that require infrastructure and consistent manpower, like oil or rare metals, are not. If a resource is lootable, rebel groups with limited resources can extract maximum value through raids and theft. "Obstructability" refers to the potential to disrupt the resource in transit. A resource is "obstructable" if a small militia can easily prevent it from reaching its intended destination. If a rebel group can stop the resource in transit, it can usually either steal that resource or extort its transporters. Obstructable resources usually travel by rail or by truck. Highly mobile resources are not obstructable.

Poppy is an ideal natural resource for the Taliban. It requires little maintenance, and is the most widely farmed crop in Afghanistan (Vilsak, Shah, and Holbrooke 2010). As poppy is easy to transport and can be stored for long periods of time, the Afghan government and coalition forces have difficulty controlling its production. This ease and mobility of cultivation and production operations allows the Taliban to simultaneously support poppy processing while also extorting the civilian farmers who grow it. In 2007, the Taliban were estimated to have collected between 10-20 percent of the nearly 3.5 billion dollar poppy trade through illegitimate taxation

alone (Foreign Relations Report 2009). Poppy is highly “lootable.” Because of this “lootability,” the crop is an ideal source of income.

Poppy’s “obstructability” also makes it a potent asset to the Taliban. Poppy is not at all “obstructable.” It is easy to transfer and hide, and it relies on no one form of transportation. While low “obstructability” normally benefits the government, Afghanistan’s situation is reversed. Due to poppy’s illicit status, the government cannot participate in its cultivation or trade. Instead, the government actively works to limit poppy trafficking. As such, the government becomes the “obstructor” while the insurgents become the beneficiary. This role reversal results in drug traffickers benefiting from poppy’s low “obstructability.” The sheer number of poppy farmers and traffickers combined with the ease of production creates an environment where obstruction becomes extremely difficult (Foreign Relations Report 2009).

The poppy’s unique compatibility with the Taliban has far-reaching consequences. Not only does it provide the insurgents with significant funding with which to conduct operations, but it also indirectly leads to social support from the general Afghan population. As poppy farming represents Afghanistan’s best source of income, it is the occupation of choice for many Afghan civilians in the Southern provinces of the country (Gearan 2009). Many of these poppy-rich provinces, such as the Helmand Province, are also strategically important to state-building efforts. These farmers do not associate ideologically with the Taliban, but cooperate out of dependence on the poppy trade. For years, the United States and Afghan governments pursued “eradication” policies aimed at targeting the poppy trade. Between 2001 and 2009, the Pentagon allocated an average of 45 million dollars per year towards destroying poppy fields (Gearan 2009). This policy was fundamentally flawed in its conception. The fields that the soldiers destroyed were not the illicit assets of insurgents, but the personal property of normal civilians. Faced with an unappealing choice between the socially repressive Taliban and an American coalition that destroys their livelihood, Afghans tend to prefer the Taliban. A report from the Council on Foreign Relations entitled “The Taliban in Afghanistan” highlighted the worrisome trend of increasing support for the Taliban in the Helmand and Kandahar provinces of southern Afghanistan (Gearan 2009).

While the Obama Administration has scaled back the eradication policy, the Afghan government has intensified its own program (Arnoldy 2010). This policy has already produced devastating side effects. By forcefully reducing the supply of poppy, the U.S. ensures that the price will rise. During periods when poppy production has been most suppressed, prices have soared from the normal 44 USD per kilo to as high as 700 USD per kilo for the same amount (Perl 2001). Moreover, higher prices perpetuate increased civilian participation in the cultivation of poppy (Grono and Nathan 2007). As a result, insurgent profits rise while impoverished farmers suffer. By initiating indiscriminate eradication policies, the United States radical-

ized the very civilians whose support it most needed to install an effective Afghan government. In a 2009 interview with the Associated Press, Special Envoy Richard Holbrooke explained that eradication “cost us badly needed friends along the front lines of the fight against Taliban led insurgents... Eradication is a waste of money” (Lekic 2009). By pushing Afghan civilians towards the Taliban, the United States has provided the insurgent group with flexibility. As long as the Taliban possesses the key to the average farmer’s livelihood and the incumbent government fails to provide a superior economic alternative, the Taliban maintains the cooperation of the rural populace regardless of its behavior.

The prevalence of poppy in Afghanistan presents an enormous economic dilemma. While eradication is obviously unproductive, poppy has an indisputably stagnating effect on the economy. Not only does it provide rebels with a source of funding that the legitimate government cannot access, but it also has the potential to infect the country with a version of “Dutch Disease.” Poppy is so easy to cultivate, that individual actors are unwilling to devote resources to the industrial development projects that lead to sustainable growth and a stable middle class (Weinstein 2007, 52). Economic infrastructure and government tax collection are key elements of state building, and poppy inhibits both of these functions. In order to progress towards a stable economy, The United States and Afghan government will have to marginalize the poppy trade without alienating the population and strengthening the Taliban. Even if they manage to accomplish this task, significant barriers still exist to hinder the development of a legitimate economy. The United States has attempted to address this problem mainly by supporting the development of legitimate industries. The next section examines the challenges involved with pursuing this strategy.

The Challenges of Legitimate Economic Development

In his book *When States Fail: Causes and Consequences*, Robert Rotberg discusses the importance of economic infrastructure in weak developing states. He explains that both “fiscal and extractive capacity” are key to the development of successful government institutions. More specifically, stable economic infrastructure is paramount to both of these capabilities (2004, 99). Rotberg argues that undeveloped infrastructure forces an economy to be less vigorous and more difficult to tax. Both factors prevent the government from “extracting” maximum value from national production. Furthermore, Rotberg contends that undeveloped infrastructure leads to lower population density. Low population density prevents a weak government from performing its basic administrative functions. If a government is unable to provide administrative services across its entire territory, it faces difficulty in accumulating funds, and rebel groups gain more influence. Without effective fiscal and extractive capacity, weak state governments cannot marshal the resources they need to develop stronger state apparatuses. In order to achieve this capacity to

govern effectively, Rotberg argues that weak states must develop stable economic infrastructure.

Afghanistan has struggled to develop both fiscal and extractive capacity. The country's 2010 budget totaled a meager 1.1 billion dollars. Of that 1.1 billion, only 700 million originated from domestic tax receipts (Arnoldy 2010). President Hamid Karzai himself drew attention to the total inadequacy of that figure when he estimated that his government would need an annual budget of at least 10 billion dollars solely to maintain a functional domestic security force. Both Afghan and American government officials have acknowledged the need for secure economic infrastructure. Without it, the Afghan government will not be able to increase its fiscal capacity and regain control over the countryside. Experts have identified two potential sources of legitimate GDP that should spur the development of new infrastructure. Both sources of production are promising but ultimately flawed.

Agricultural Development

The first potential new source of legitimate GDP is a more sophisticated agriculture system. Many experts view improved agricultural infrastructure as the first step of building a new economy, as 40 percent of Afghans already work in that sector. In early 2010, the United States government identified agricultural development as the number one non-security priority in Afghanistan (Vilsak, Shah, Holbrooke 2010). Since that time, the United States has devoted more than 500 million dollars towards constructing improved irrigation systems and food processing plants (Arnoldy 2010). It has also built new airstrips for the explicit purpose of exporting agriculture-based goods. These infrastructural developments would hopefully increase the "value added" to agricultural goods in Afghanistan. The United States and Afghan governments hoped that new irrigation systems would allow for the cultivation of more profitable crops, and new processing centers would allow Afghans to accumulate more wealth by performing more stages of production domestically. These new agricultural developments would theoretically create sustainable and lucrative alternatives to poppy, while not changing the fundamental makeup of the Afghan economy too rapidly (Vilsak, Shah, Holbrooke 2010).

While a more institutionalized agricultural sector would represent a solid first step towards increasing the extraction and fiscal capacities of the Afghan government, there are several obstacles that have prevented this development. First, international demand for opiates remains high. As such, legitimate agricultural exports must outperform heroin on international markets before farmers have incentive to grow crops other than poppy (Grono and Nathan 2007). Needless to say, this is no easy task. Additionally, both corrupt administrative officials of the Karzai government and Taliban insurgents profit from the poppy trade. Without oversight from the central government, these groups can provide costly disincentives for farmers to grow legal crops.

So far, the production of new immobile agricultural infrastructure has only served to make Afghanistan's economy more "obstructable." The Taliban has managed to obstruct the trade of legitimate agriculture by attacking farmers in the process of delivering their produce to the new processing plants and airstrips (Arnoldy 2010). Not only does this practice disrupt production, but it also intimidates civilians, which could in turn discourage local commerce and trade. As drug traffickers happily collect poppies directly from private farms, farmers can avoid physical danger by simply participating in the illicit trade and ignoring the government's preference (Arnoldy 2010).

While important, poppy is not the lone source of funding for the Taliban. The insurgent organization has wavered on its position in regards to the poppy trade over the past several years, and its involvement in poppy cultivation has seemingly decreased since its peak involvement. Even at the peak of Taliban involvement, poppies contributed only "20-40 percent" of its revenue (Smith 2007). Other revenue sources, such as foreign donations, direct fundraising, and unofficial taxation of legitimate industries account for far more of the Taliban's power (Lambertus 2011). As such, any effort to address poppy cultivation as a means of combating the Taliban must be evaluated in that context. Poppies are a piece of the answer, not the answer itself.

While stable agriculture would undoubtedly provide a respectable first step towards engineering the type of economy that leads to state development, the United States and Afghan governments have been ineffective in expanding the legitimate economy through agricultural infrastructure, though this failure is not entirely the fault of these governments. The lack of economic incentives to abandon poppy farming combined with the potentially high cost of government cooperation has created an environment where agricultural development is not a realistic solution to Afghanistan's economic woes.

Two of the main crops that the United States has supported in Afghanistan are wheat (and other "cereal grains") and saffron (Peter 2010). While these crops may seem like legitimate replacements for poppy, several factors make them less attractive to farmers than poppy. Wheat production is unpredictable in Afghanistan's climate. The country's high temperatures, unpredictable rainfall, and lack of irrigation infrastructure create significant instability in the production process. Furthermore, wheat is far cheaper than poppies are on the open market (Peter 2010).

Mining

Experts have identified mining as the second potential source of Afghan economic development. While mining infrastructure is significantly more difficult to install than agricultural infrastructure, it also has the potential to be exponentially more profitable. Afghanistan is widely known to have massive deposits of minerals such as copper, iron, gold, and lithium buried beneath its surface. Lithium, particularly

valuable due to its role in the production of batteries, is particularly abundant in Afghanistan's mountains. American intelligence experts have suggested that Afghanistan has the potential to become "The Saudi Arabia of Lithium" (McNeil 2010). The Pentagon has estimated that Afghanistan's latent lithium supply could have a value upwards of one trillion dollars. (McNeil 2010). Despite this massive potential, Afghanistan continues to be completely unable to access any actual wealth. The reasons behind this inability are circular.

Mining requires long-term investment. Individual mines can require more than 20 years of constant investment before yielding a profit (McNeil 2010). Mining also requires advanced technical expertise. The Afghan government has neither the resources nor the expertise to cultivate its minerals by itself. The mining industry must attract private investment, as even the smallest mines cost upwards of 100 million dollars to install (McNeil 2010). As Afghanistan has no domestic drilling companies to rely on, it must also look to foreign drilling companies (Arnoldy 2010). In order to begin extracting Afghanistan's mineral wealth, foreign investors must commit capital for more than thirty years. Afghanistan's security instability makes such an investment implausible. While some Chinese companies have made limited investments in Afghanistan's minerals, few firms have shown interest in the kind of massive investment that might spur serious development. As Professor Murray Hitzman of The Colorado School of Mines explains, "no mining company in its right mind would go into Afghanistan now" (McNeil 2011).

Mining equipment is expensive, immobile, and easy to sabotage. It presents the Taliban with an ideal target for impeding economic progress and deflating government moral. In order to commit the capital needed to develop Afghanistan's mining industry, a drilling company would require a security guarantee for upwards of two decades. As American presidents cannot commit resources for longer than four years, the United States cannot credibly offer this guarantee. As such, in order to attract investors, Afghanistan's government must itself commit to providing companies with this long-term security (McNeil 2011). Such a commitment would cost hundreds of billions of dollars. Unfortunately, Afghanistan lacks the resources to offer such a commitment.

The problem is circular. Afghanistan cannot attract the necessary investors to increase revenue without an effective security force, but it cannot develop an effective security force without a significant source of new revenue. Because security force development is such a difficult and expensive task, no third party actor can commit to breaking the gridlock. As a result, Afghanistan's mining potential remains dormant.

Afghanistan's fledgling economy prevents the state from fulfilling basic functions, and empowers the Taliban to wage continuous war against the incumbent government. This economic sickness walks hand in hand with the nation's weak political institutions. Afghanistan's lack of security is a common theme in the country's

economic difficulties. The government's inability to provide stable security for its citizens both encourages the population's continued reliance on poppy farming, and also greatly inhibits the potential for industrial development. As such, establishing a consistently functional security force across Afghanistan may well be the necessary first step for further economic development in the nation.

Part Two: Afghanistan's Political Vacuum

Perhaps the most frustrating of Afghanistan's failures is the Karzai government's inability to develop political institutions capable of exerting influence outside of Kabul. While Karzai's government represents the country on the international stage, other actors reign supreme in the rural areas that make up most of Afghanistan (Spanta 2005, 70-81). The security situation has improved over the past two years; however, much of this improvement has been the result of coalition efforts to empower tribal security forces. Many in the international community, notably America's European allies, have expressed concerns about the growing power of these local interests (Borger 2012). The motivations and behaviors of these other actors are crucial to understanding the underlying causes of Afghanistan's political failure.

Paramilitaries

In *Inside Rebellion: The Politics of Insurgent Violence*, Jeremy Weinstein explains the double-edged sword of paramilitary groups. On the one hand, paramilitary proxy groups allow actors to accomplish foreign policy or military goals with little short-term cost. On the other hand, governments that utilize paramilitary groups may come to rely on people with whom they do not necessarily share longer-term goals. The danger, Weinstein argues, is that by hiring paramilitaries, incumbents and external actors provide substantial resources to groups with little or no interest in political development. This flow of resources, in turn, leads to the growth of powerful groups that oppose the development of a strong central state (2007, 342). In the long run, this process generates a significant barrier to the development of political institutions.

The United States has fallen victim to Weinstein's "paramilitary trap" in Afghanistan. In an effort to win an early military advantage against the Taliban in 2001, the United States purchased the support of the Northern Alliance (2007, 343). While helping the government to fight the Taliban, the Northern Alliance and other tribal groups consolidated political and military control in the rural areas of Afghanistan. Using American dollars to gain jurisdiction over unofficial trade routes and day-to-day civil life, these warlords became too powerful for any government to control.

The political ramifications of empowered paramilitaries have been widespread and unstoppable. While these groups opposed the oppressive Taliban rule, they do not support a strong Afghan state. In fact, these groups recognize that a strong central government is equally threatening to their own power and wealth as the

Taliban is. In response,

Warlords have undermined the transition process at almost every stage... Unfortunately, America's allies during the war have shown little commitment to nation building in the aftermath. To this day, the government of Hamid Karzai remains holed up in Kabul as America's partners in the war to overthrow the Taliban enjoy the fruits of their victory in the countryside (Weinstein 343)

The conflict between American military objectives and Afghan political objectives has become more pronounced as the years have gone on. While America desires a strong Afghan central government, it often still acts in direct opposition to that goal. Several German NATO officers, for example, have expressed concerns that local paramilitary groups (such as the Afghan Local Police) that have become powerful as a result of U.S training and financial assistance will "run out of control when their American paymasters leave" (Borger 2012). British officials expressed profound discomfort about the strength of local groups, calling them a "community watch with AK-47s" (Borger 2012). The United States may be sacrificing the long-term influence of the central government in exchange for short-term security gains at the local level.

As Afghanistan's cultural and political traditions are more local than national, tribal forces usually enjoy more credibility with the population than the national government does (Borger 2012, 75). When this cultural advantage combines with financial resources, the national government has little opportunity to establish political authority in rural areas. Paramilitaries create yet another circular conundrum in that they are extremely useful in fighting the main threat to Afghanistan's incumbent government, but are ultimately incompatible with the fundamental goal of building strong political institutions in Afghanistan.

The Taliban

After losing control of Afghanistan in 2001, the Taliban instantly became the single greatest threat to the country's new government. They consistently subvert the rule of law by fighting against government forces, terrorizing and recruiting civilians, and corrupting public officials.

In their article "Strategies of Terrorism," Andrew Kydd and Barbara Walter lay out five "logics" of terrorism. The second logic, "intimidation," explains the idea that rebel groups can gain control of a population by imposing costs on undesirable behavior. Using intimidation, groups look to prove to the population that the incumbent government is powerless to protect them. A rebel group can also impose certain policies on the population without the government's support because the group has the ability to inflict its own punishments (2006, 49-80). Ultimately, well-executed intimidation strategy can dramatically alter the behavior of a population, and prevent the government from functioning effectively.

The Taliban has been extremely effective in its use of intimidation to alter the behavior of the Afghan population. It has used this "logic" mainly to impose strict Sharia law, and to punish cooperation with the government. In order to enforce cooperation from the Afghan population, the Taliban has engaged in brutal and public violence. In 2006, they publically beheaded the principal of a school for girls in order to deter female education in other parts of the country (Khan 2006). Afghan diplomat Ashraf Haidari adds, "Anyone suspected of being a traitor or working for the government is often arbitrarily executed by the Taliban" (Washington Times 2009). As the Taliban has freedom to act without government intervention in many areas of Afghanistan, civilians are often too frightened to cooperate with the government in any capacity. As a result, in the areas of Afghanistan where the state's political institutions need the most support, the population is too frightened to engage on any level.

The Taliban's ability to use intimidation as a means of influencing Afghan society does not begin and end with attacks on unarmed civilians. The insurgent group has also showed an ability to influence the state's security apparatus. Police officers employed by the national government are often former insurgent fighters. As such, they have limited natural loyalty to Karzai's administration (Spanta 2005, 73). Outside of Kabul, in areas where the Taliban is strong, the civil police force is often outnumbered and under-equipped. The Taliban is then able to use the same intimidation tactics to discourage police action that it uses to discourage civilian participation in government. Political institutions are inherently weak if they lose their monopoly on legitimate force. If the civil police force is easily intimidated by a stronger power, the political institutions that it defends cannot be strong.

While bribery has become an effective method of influencing the police force, the Taliban uses non-monetary means to recruit civilians (Yousafzai and Moreau 2008; Beattie 2009). On the subject of rebel group recruitment, Jeremy Weinstein explains that rebel groups can rely on either "economic or social endowments" to drive recruitment. While groups without access to wealth must use their image and ideology to recruit through social capital, groups with greater financial resources can buy recruits. Because these wealthier groups need not worry about how the population perceives them, they may behave brutally while still recruiting fighters (Weinstein 2007, 96). The Taliban has effectively employed the first recruitment principle.

Even as the Taliban brutalize the Afghan people, it still offers benefits that encourage civilians to join their cause. The insurgent group has effectively painted the Afghan government as a puppet for United States forces. Together, according to the Taliban, these two represent the greatest threat to security. Whenever violence occurs, the Taliban blames the "occupiers" and has the opportunity to mobilize new recruits (International Crisis Group 2011). This cycle allows the Taliban to

engage in sustained armed conflict with the government. As long as the Taliban can continue to manipulate the civilian population with intimidation and propaganda, Afghanistan's political institutions will struggle to compete against them.

Afghanistan's political and economic realities undoubtedly generate a hostile environment for state building. Yet, this paper has also argued that America has exacerbated the country's instability in several ways. Moreover, the wider international community has played an uneven role in Afghanistan's development over the past decade. In response to these factors, some scholars, such as Barnett Rubin, have developed an alternative explanation for Afghanistan's instability. Rubin argues that mistakes by the "peace building" community represent as big an obstacle to national stability as do Afghanistan's domestic difficulties (Rubin 2006).

Part Three: An Alternative Explanation

While there are several theoretical arguments that blame the international community for state building failure in Afghanistan, one stands out. This argument alleges that the United States has focused so much on building an ally in the War on Terror that it has neglected the steps of building a stable state.

In his article "Peace Building and State Building in Afghanistan: Constructing Sovereignty for Whose Security?", Barnett Rubin argues that the foreign policy doctrine that compelled the United States to invade Afghanistan is irreconcilable with principles of sound state building. He contends that the United States has focused so heavily on counterterrorism military action that it has abdicated responsibility for developing Afghan political institutions (Rubin 2006). As a result, nongovernmental organizations (NGOs), and the United Nations have clumsily and reluctantly stepped in to oversee the state building process.

Rubin argues that this diffusion of power has led to an inconsistent and non-coherent distribution of state building assistance from the international community. Without a strong central actor to lead the state building process, individual actors implement separate, uncoordinated programs. Unwilling to engage their own resources in Afghan state building, European states have encouraged NGOs to participate in the administration of human services and construction of basic public infrastructure. As evidence of this phenomenon, Rubin presents that, as of 2006, "out of a total of 4.9 billion dollars of public expenditure, only 1.4 billion dollars were channeled through the government budget" (Rubin 2006).

This small percentage of public money passing through the federal budget negatively impacts state building in two ways. First, it reduces the government's accountability to its population. If citizens must rely on organizations other than the national government to provide government services, they have no reason to respect the legitimacy of government institutions. Second, it hinders the government's ability to at any point provide the services that NGOs provide today. When NGOs build

roads and administer human services, the government neglects to develop the capacity to provide these services after the NGOs have moved on (Spanta 2005, 77). While NGOs have the potential to be tremendously positive actors in the Afghan conflict, they cannot replace a functional government. Rubin argues that as long as NGOs continue to perform functions that are traditional responsibilities of the state, infrastructure will suffer and Afghanistan will remain politically unstable as a "failed state."

While Rubin's argument is convincing and certainly accurate, it places too much blame at the feet of the United States. The barriers that lie between Afghanistan and a functional state are overwhelming and deeply institutionalized in Afghan society. Additionally, the circular nature of the country's problems prevents the identification of a clear point at which to start.

In addition to the deep-seated national problems that prevent the establishment of a successful state, there is no evidence to suggest that America has access to better policies than the ones it has chosen. For example, while American focus on military success has empowered tribal warlords to subvert the Karzai government, these warlords have played a crucial role in keeping the Taliban out of power.

Furthermore, in recent years, coalition forces have established locally based security programs such as the Village Stability Operations and the Afghan Local Police (Mogelson 2011). These programs are part of an effort to establish a "bottom-up" approach to Afghan security and governance (Connett and Cassidy 2011). General David Petraeus has called these programs "the personification of counterinsurgency" (Mogelson 2011). By emphasizing the local enforcement of the "Pashtunwali" (Pashtun code of behavior), coalition forces hope to establish both security and civil governance at the local level in areas where state institutions are non-existent (Mogelson 2011). Afghanistan's unique history suggests that these programs may not result in traditional paramilitary dilemmas.

While outside support for local forces can have adverse consequences for the strength of a national government, decentralized security may be the best roadmap to peace in Afghanistan. During the years between 1929 and 1978, mostly commonly referred to as the Musahiban Dynasty, Afghanistan featured a central government and national security forces in urban areas and along major roads, coupled with local defense forces in the rural areas of the country (Jones and Munoz 2011). The Musahiban period represented the last period of sustained security in Afghanistan. Emulating the security mechanisms of this regime could well be the first steps towards establishing a stable state. An October 2011 report by the Department of Defense indicated that both coalition casualties and civilian casualties decreased in 2011, relative to 2010, likely as a result of the "bottom-up" approach initiated in 2009. By empowering local military and civilian institutions, the United States may be laying the groundwork for such development.

Conclusion

A stable Afghan state will need both a revitalized economic structure and legitimate political institutions; and neither can exist without a more stable security structure. These three elements are interrelated in complex ways, and present a problem with no obvious solution. Ideally, the United States and international community would supply the new Afghan government with sufficient resources to protect the populace. If these nations could provide enough security to allow civilians to participate in government without fear of retribution, legitimate political structures might finally blossom. These structures would not simply be a glorified diplomatic corps, but an actual government to reflect the will of its people. Economically, a stable and sustained security environment could have a similarly profound impact. As Jeremiah Pam of the US Institute of Peace explains, “once you have security... there are often surprises in terms of the capacity that is finally allowed to bloom” (Arnoldy 2010).

Unfortunately, no external actor can promise that level of commitment. Even if one could, there is no guarantee that even an infinite commitment would completely defeat the Taliban. The Taliban insurgency is resilient, and cannot be defeated by brute force alone. Afghanistan’s problems require action beyond the ability of the international community. Because no actor can provide Afghanistan with the security it needs, the country has little choice but to continue on the path it is currently pursuing. It must try to make piecemeal advances on political, economic, and security matters until change becomes tangible. The process will be long and arduous. Until that day comes, Afghanistan will continue to be an enormously frustrating foreign policy failure.

Moving forward, the United States should continue to emphasize bottom-up security programs. As it winds down its offensive operations in Afghanistan, it should continue to vigorously train local security forces. Additionally, it must ensure that these security forces receive significant compensation as their skills develop. In the long term, this method of empowering decentralized local forces may offer the best opportunity to provide the lasting stability needed to develop the kinds of industry and infrastructure that can form the beginnings of a stable state.

While Afghanistan still qualifies as a failed state by most definitions, The Fund for Peace has noticed modest improvements over the past year in the areas of “poverty and decline,” “legitimacy of the state,” and “human services.” These improvements appear to correlate temporally with the reductions in civilian and coalition casualties. While these improvements are very modest, they seem to have accompanied a slightly greater sense of security in the country. By aggressively pursuing bottom-up security programs, the US might begin to establish a self-sustaining cycle of improved security. This process could, in the long term, create enough stability to draw foreign investment capital into Afghanistan’s legitimate industries. This process has no guarantee of success. In the short term, Afghanistan will likely continue to

be unstable and insecure with only modest improvements.

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